Guillaume Labrie

Sculptor / installation artist,
Canada Council grant recipient
Montreal, QC

"Canada Council support has allowed me to make sculptural works that create connections between the object, the viewer and the space. It's really fantastic."

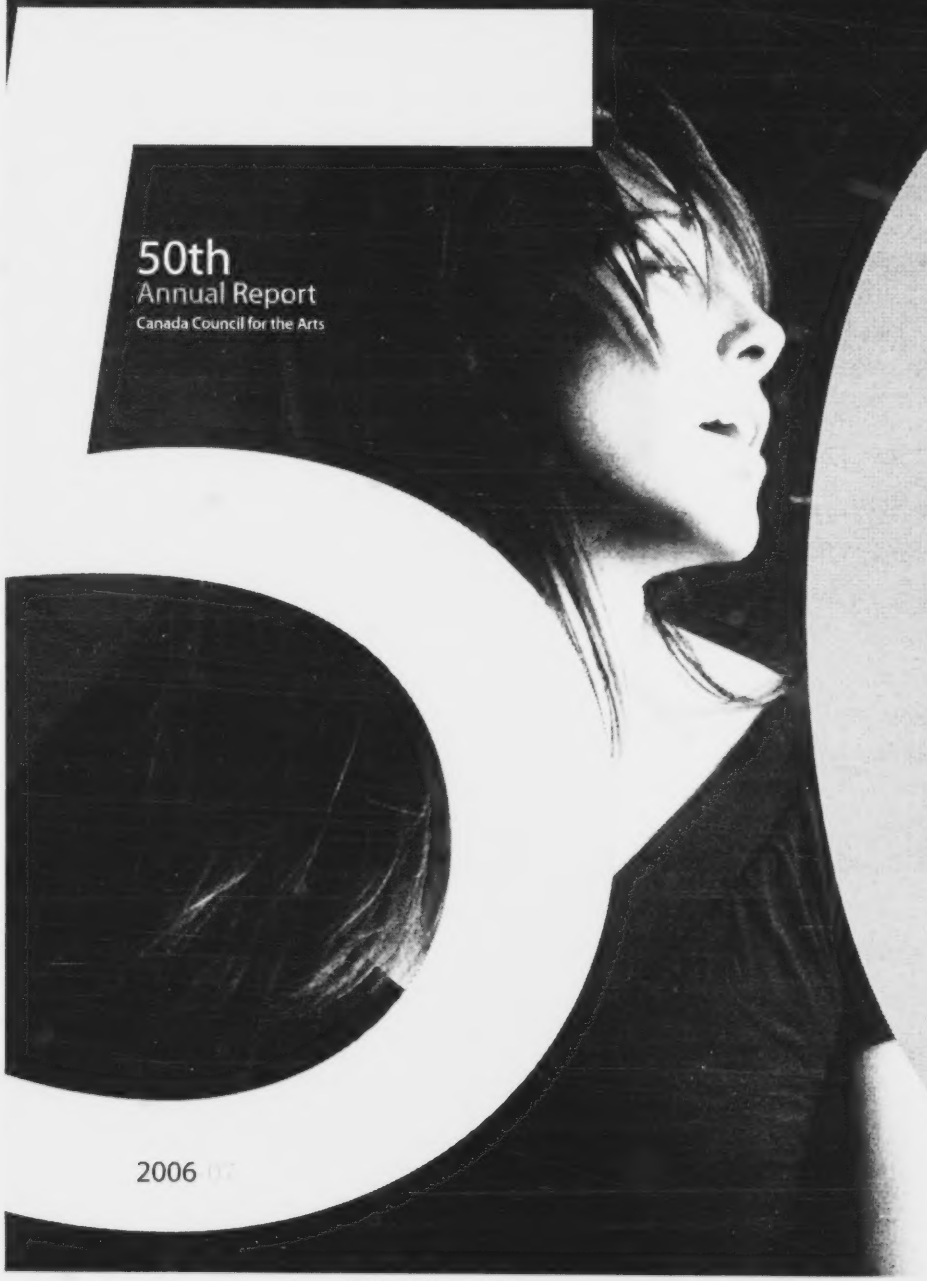
Photo: Martin Lipman

Canada Council Chair Karen Kain, with Minister of Canadian Heritage Bev Oda at the March 27 Parliament Hill reception celebrating "A Day for the Arts."

Photo: Shin Sugino

50th Annual Report

Canada Council for the Arts



Tracee Smith

Dancer,
Canada Council grant recipient
Sault Ste. Marie and Toronto, ON

"My art form touches kids the most... On reserves, it is like they are coming out of their shell... I think that the movement is already inside you; it comes out through music."

The eight young artists featured in this report embody the Canada Council's 50th anniversary slogan, "The Arts are our future." They are laureates of Canada Council grants or prizes, all under 30, represent the new generation of outstanding professional artists who are making their mark in Canada and around the world.

The Canada Council for the Arts is a federal Crown corporation created by an Act of Parliament in 1957 "to foster and promote the study and enjoyment of, and the production of works in, the arts."

The Council offers a broad range of grants and services to professional Canadian artists and arts organizations in music, theatre, writing and publishing, visual arts, dance, media arts, and interdisciplinary and performance art. It also seeks to raise public awareness of the arts through its communications, research and arts promotion activities.

The Council awards prizes and fellowships every year to some 200 artists and scholars. The Canadian Commission for UNESCO and the Public Lending Right Commission operate within the Council. The Canada Council Art Bank contains some 18,000 works of contemporary Canadian art that are rented to the public and private sectors.

The Canada Council is governed by an 11-member Board. The Chair, the members of the Board and the Director of the Council are appointed by the Governor in Council for fixed terms. The Council relies heavily on the advice of artists and arts professionals from all parts of Canada (some 750 serve annually as jurors, or peer assessors) and works in close co-operation with federal, provincial and municipal cultural agencies and departments. The Council reports to Parliament through the Minister of Canadian Heritage; its accounts are audited by the Auditor General of Canada. The annual budget allocation from Parliament is supplemented by endowment income, donations and bequests.

Cover photo: Shin Sugino

The Canada Council for the Arts is 50

Annual Report 2006-07

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(as of March 31, 2007)

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Quebec

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Saskatchewan

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Canada

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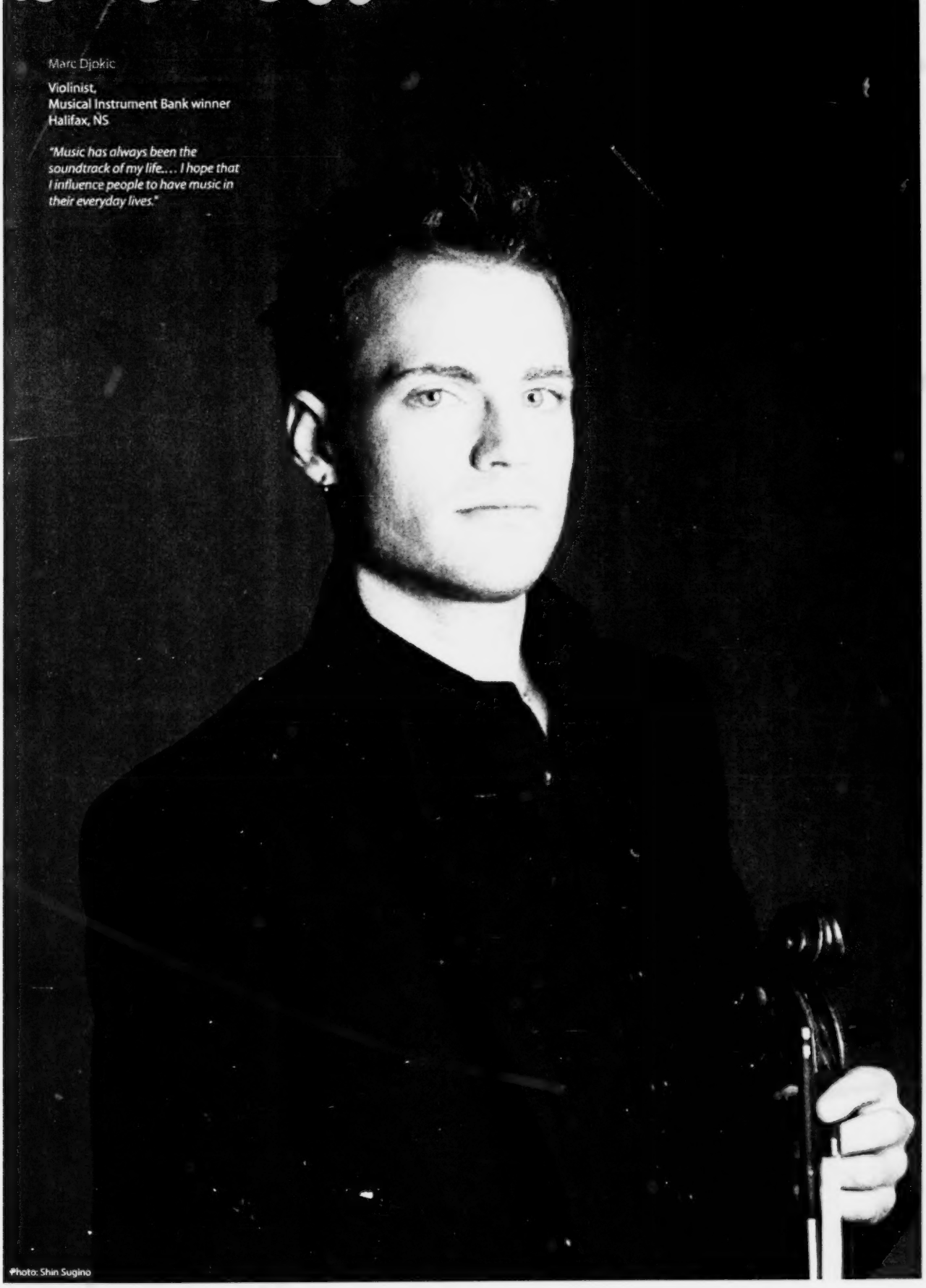


Marc Djokic

Violinist,
Musical Instrument Bank winner
Halifax, NS

"Music has always been the soundtrack of my life.... I hope that I influence people to have music in their everyday lives."

Photo: Shin Sugino

Contents

5 Message from the Chair

7 Message from the Director

13 Management's Discussion and Analysis
13 Operating Environment
13 Objectives, Strategies and Performance
22 Highlights
26 Financial Overview

35 Financial Statements
35 Management's Responsibility for Financial Reporting
36 Auditor's Report
37 Financial Statements and Notes

57 Governance

Message from the Chair

As activities celebrating the 50th anniversary of the Canada Council for the Arts continue throughout the year and across the nation, the Council is looking to the future with clear-sighted confidence, determination and enthusiasm.

In May 2006, the Government of Canada confirmed that it is ready to make a greater investment in supporting the contributions artists and arts organizations make to the cultural vitality that defines a healthy national community. The Canada Council has in turn made a responsible and strategic investment of the $50 million received from the Government.

Thanks to this funding, 561 organizations throughout Canada will be able to consolidate their activities of creation, production, development and dissemination. Without in any way neglecting grants for individual artists and increased public access to the arts, the Council chose to give priority to the consolidation of the artistic and organizational capacities of the organizations it funds. This major investment will have a lasting impact for the Canadian cultural fabric and for Canadian citizens everywhere.

In order to allocate these funds in the best way possible within a short period of time, all the while ensuring accountability, transparency, rigour and compliance with the principles of excellence and peer evaluation that have been the raison d'être of the Council since its inception, the Council had to go into overdrive. I thank and congratulate the Council's staff and management for their exceptional efforts, which met with remarkable success.

I must emphasize that this demanding task also made very apparent the vision, powers of persuasion, and finely-honed communicating and rallying skills of the new Director of the Canada Council for the Arts, Robert Sirman, who experienced a true baptism of fire with this exercise. Last year, Mr. Sirman was the unanimous choice of the Board after a careful and systematic selection process undertaken in accordance with Treasury Board regulations. His selection was confirmed by the Government in June 2006. The new leadership bodes extremely well for the future development of the Council and of the arts in Canada.

The number 50 is the uncontested symbol of the current year, with the Council's official launch of activities surrounding its 50th anniversary. Artists, arts organizations, politicians, citizens, young and less young, were invited to join in the year-long celebration in a variety of ways. To date, the response to our open invitation can be summed up in a single word: phenomenal. Communities in all regions of Canada have seized on the opportunity to reaffirm the importance of the arts in their lives.

In the fall of 2006, the Historica Foundation, Bell Canada and the Council produced an original calendar, highlighting the wealth of Canadian artistic achievements through the decades. On March 27 and 28, 50 artists from across the country gathered in Ottawa to participate in A Day for the Arts, organized by the Council. The House of Commons, the Senate, Rideau Hall and the National Arts Centre welcomed the artists enthusiastically. Aspiring young artists from the Ottawa region had the privilege of taking part in workshops led by the professional artists. At the conclusion of impassioned exchanges, the young people and the artists reiterated the importance of making art a part of everyday life. Throughout the year, in communities across Canada, more than 150 events – concerts, plays, openings, ballets and more – were dedicated to the 50th anniversary of the Council.

Today, the artistic vitality that is given expression in our cities and communities is a fascinating and heartening aspect of Canadian life.

Today, the arts are part of who we are, and what the founders of the Canada Council had envisioned. It is our responsibility to protect and promote the important gains of five decades of public funding of the arts, and one of the key ways of doing this is by facilitating access to the arts for the greatest number of our fellow citizens.

Today, more than ever, our collective future is defined by the arts and by culture. Inspired by all the encounters and discussions surrounding the celebration of its 50th anniversary, the Council is taking its rightful place in this journey with a youthful vigour that belies its age.

Karen Kain, C.C.

Barry Doupe

Filmmaker / animator,
Canada Council grant recipient
Vancouver, BC

"Beyond the meat and potatoes [financial support], there are the forces that helped pull my work together, validate it and enable people to view it.... There's a ripple effect that spreads outwards in widening circles."

Photo: Sgt Eric Dubrovsky, DND

Canada Council Director Robert Sirman, with Her Excellency Michaëlle Jean, Governor General of Canada, at Rideau Hall during a reception honouring the 50 Canadian artists who came to Ottawa to mark the 50th anniversary of the Canada Council.

Photo: Shel Sodoma

Message from the Director

As the Canada Council for the Arts celebrates its 50th anniversary in 2007, it is fair to say that at no previous time have its challenges been as compelling, or its opportunities as great.

The world continues to change – demographically, economically, technologically, socially – and so too do the arts. The response of arts funders must be creative, flexible, and attuned to the varying needs of a diverse and growing arts community. Fortunately, the Canada Council experienced a big boost in the May 2006 budget with the announcement of $50 million in one-time funding, $20 million for 2006-07 and $30 million for 2007-08. Because the Council knew the needs were so great, it did everything in its power to receive and allocate the new funding by the end of the fiscal year – $33 million in supplementary operating grants for arts organizations, and $17 million to individual artists and access projects.

Despite the new money, some things never change. The legitimate demands for support far exceed the funds available, and clearly demonstrate the potential benefit to Canadians of greater public investment in the arts. The Council knows from experience that its investments strengthen the capacity of individual artists and arts organizations to contribute to the artistic lives of Canadians, and increase public access to the arts in communities large and small from one end of the country to the other.

During the past year, the Council embarked on some important and far-reaching planning exercises that, ultimately, will help it better serve the Canadian arts community, and in turn, Canadian audiences. In January 2007, the Council launched a year-long review of its organizational design to answer the basic question: is the way we are organized the most efficient way of accomplishing our fundamental objectives? The first phase of results and recommendations were in hand by the end of the fiscal year, and provide a very encouraging set of directions for strengthening the Council going forward.

At about the same time, the Council launched a highly consultative strategic planning exercise that will inform the preparation of its corporate plan for the three-year period 2008 to 2011. After many months of consultation with staff, Board, the arts community, other arts funders, the federal government, and the public at large, the Council will review a new strategic plan in October 2007 that will include a vision of its future, and a solid plan for getting there. At the time of writing, the contributions and discussions on the state of the arts in Canada and the Council's future role have been enlightening, complex and rich. I am sure that the plan that emerges will make an already strong organization even stronger, and help to make the arts more central to the lives of all Canadians.

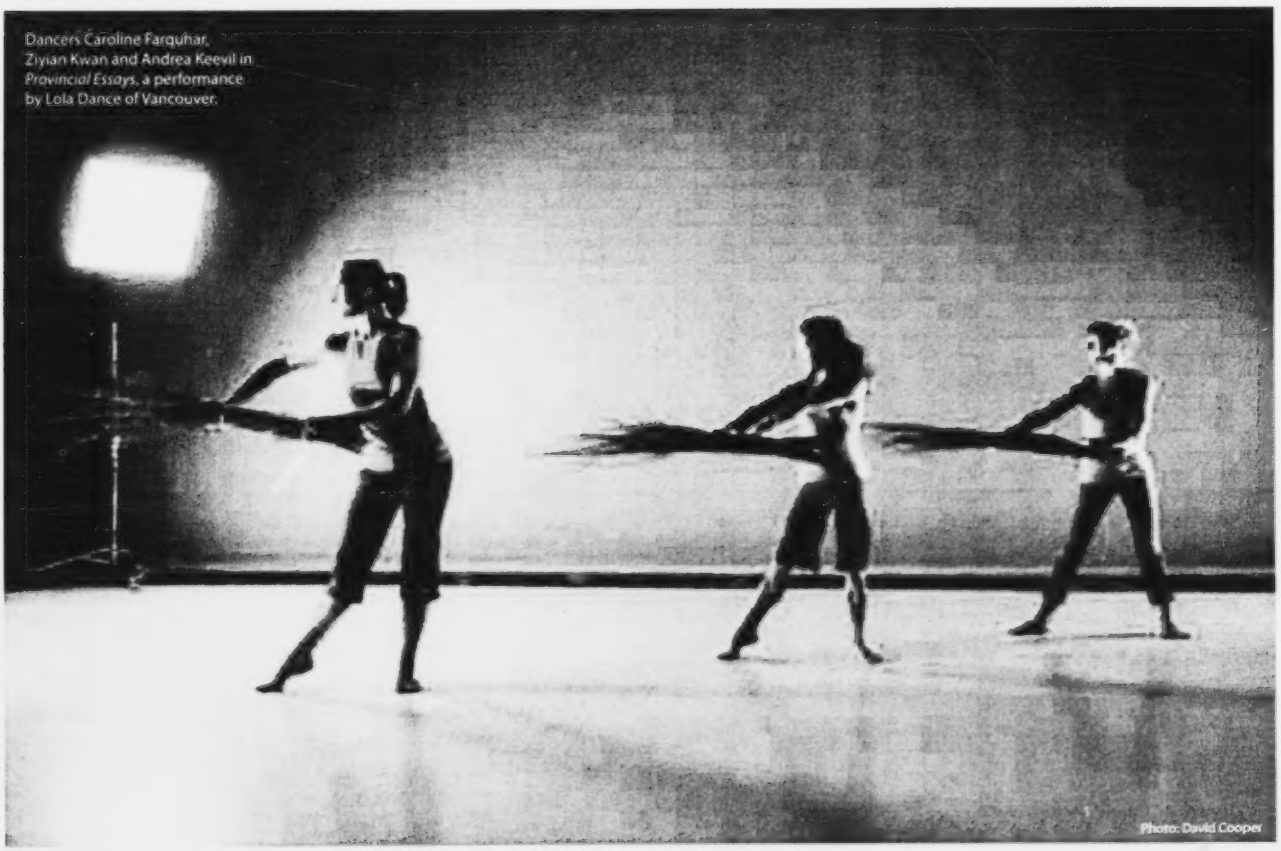
Less than a year into my term as Council Director, I have seen first-hand what I previously saw only as an interested observer: namely, that the Canada Council is an extraordinary institution – and a strong force for the public good. Its dedicated staff and committed board members are able stewards of an important trust – providing Canadians with the artistic choices that are such an essential part of our lives.

Robert Sirman

The 50th
A Year of Celebration

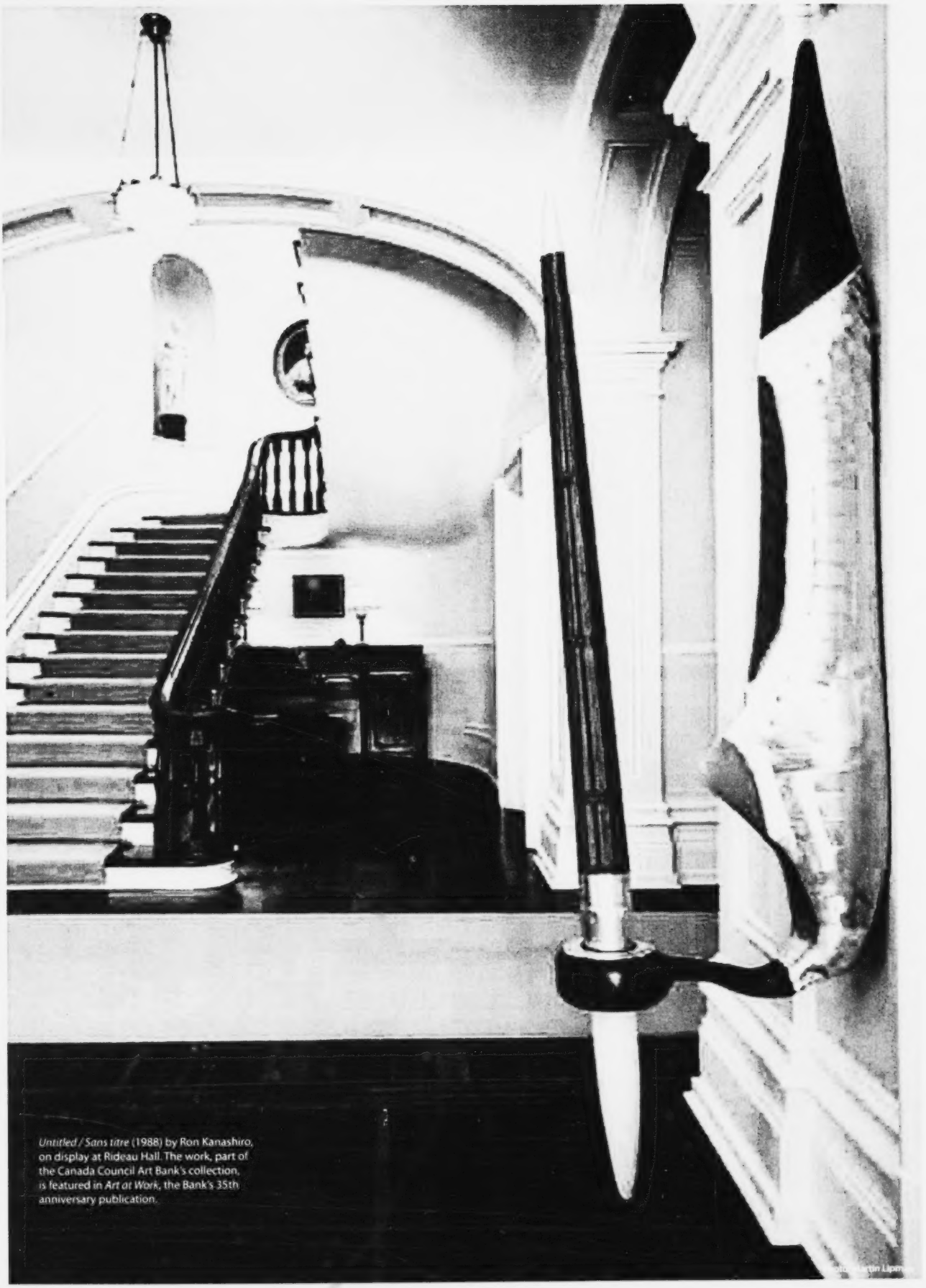
The year 2007 has been a year of celebration for the Canada Council for the Arts. Throughout 2007, in over 150 artistic events from St. John's to Vancouver to Calgary to Lunenburg, to Montreal, to Caraquet, Canadians will have saluted the Council on 50 years of supporting the arts. The Council in turn focused its 50th anniversary efforts on underlining how the arts are central to our lives, individually and at a community level.

Photo: Martin Lipman



Dancers Caroline Farquhar, Ziyian Kwan and Andrea Keevil in *Provincial Essays*, a performance by Lola Dance of Vancouver.

Photo: David Cooper



Untitled / Sans titre (1988) by Ron Kanashiro, on display at Rideau Hall. The work, part of the Canada Council Art Bank's collection, is featured in *Art at Work*, the Bank's 35th anniversary publication.

Elizabeth Turnbull in the Calgary premiere of *Frobisher*, a production of Calgary Opera and the Banff Centre. The premiere was dedicated to the Council's 50th anniversary.

Photo: Trudie Lee

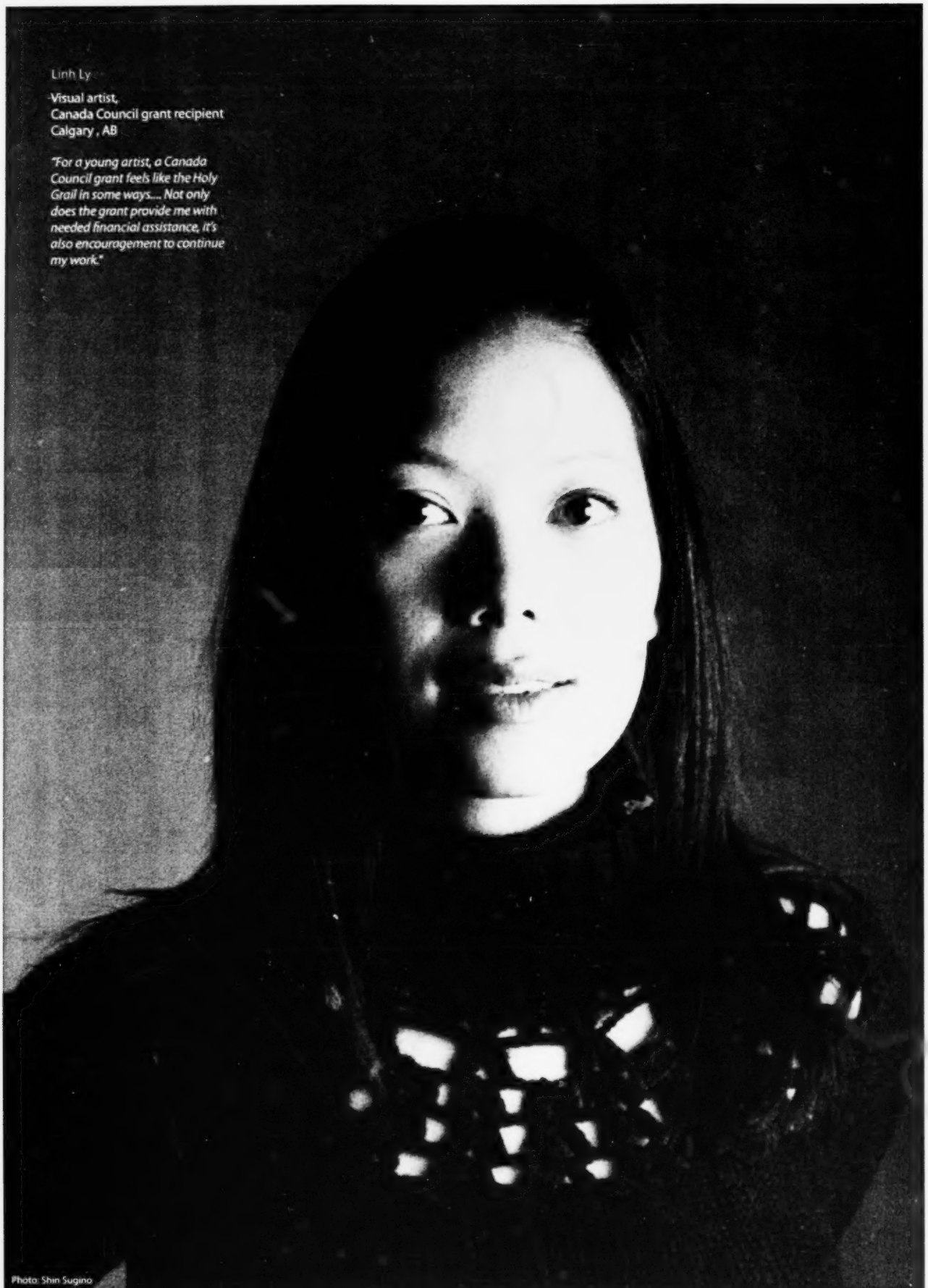
Jean-Louis Roux and James Hyndman in the Théâtre du Nouveau Monde production of *Don Juan*, by Molière, set by Lorraine Pintal.

Photo: Yves Renaud

Photo: Margo

Grade two students at Wickwire Elementary School in Liverpool, Nova Scotia, with their artworks. The school was taking part in ArtReach, a program of the Art Gallery of Nova Scotia using works from the Canada Council Art Bank.

Jesse McLean in *Swimmy, Frederick and Inch by Inch* by Leo Lionni, set, script and design by Jim Morrow, a production of Mermaid Theatre of Nova Scotia. The performace at Pearl Theatre in Lunenburg, Nova Scotia, was dedicated to the Council's 50th anniversary.



Linh Ly

Visual artist,
Canada Council grant recipient
Calgary , AB

"For a young artist, a Canada Council grant feels like the Holy Grail in some ways.... Not only does the grant provide me with needed financial assistance, it's also encouragement to continue my work."

Photo: Shin Sugino

Management's Discussion and Analysis

Operating Environment

The growth of the Canada Council for the Arts over a half-century has mirrored the growth of Canada, measured at first but now explosive. At no other time in the 50-year existence of the Council has change been more constant.

Demographically, socially, economically, technologically, the portrait of change is extensive: the growing cultural and racial diversity of Canada's population (in ten years, one in five Canadians will be a member of a visible minority); increasing urbanization (80% of Canadians live in cities); an aging population (the number of Canadians over 65 has nearly doubled since the early 80s and will double again in the next 20 years); changing patterns in leisure and consumer activity; the impact of technology on all aspects of life; and globalization.

Because the arts do not live in a vacuum, they are affected by this change. More and more artists are launching careers. New technologies are having a dramatic impact on how the arts are created and disseminated, and on how audiences access the arts. Even though our access to the arts has never been greater, the competition for audiences is keen, including from mass-produced entertainment. The blurring of boundaries between artistic practices is posing unique challenges to both arts organizations and funders. Financial pressures are putting increasing pressure on the entire arts infrastructure.

The arts are no longer seen as separate and isolated, but rather as an integral part of the social fabric, an essential part of healthy communities. As a consequence, cultural policy is being re-imagined and transformed – by governments at all levels, the arts community, arts councils, cultural advocates and policy planners. Policy thinking has taken on a citizen orientation, moving toward an emphasis on linkages between culture and citizens, and a vision of culture as a means of building and revitalizing societies. Arts funders at all levels need to work together to ensure the long-term viability of the arts, deepen the connections between citizens and the arts, and ensure that there is accountability in the spending of public funds.

The arts are at the core of the creative life of Canada. They stimulate innovation, build healthy and dynamic communities, contribute to economic development, deepen intercultural respect, and project an image around the world of Canada as a vibrant and cosmopolitan nation.

Objectives, Strategies and Performance

The mandate of the Canada Council for the Arts is set out in Section 8 of *The Canada Council for the Arts Act*: "The objects of the Canada Council are to foster and promote the study and enjoyment of, and the production of works in, the arts."

The Council's public policy role stems directly from its mandate to:

- Support the creation and production of works of merit and foster excellence across a broad range of the arts,
- Ensure that the work of Canadian artists and arts organizations is accessible to Canadian and international audiences,
- Promote public awareness of the arts and of the benefits that the arts bring to Canadian citizens and society as a whole, and
- Provide all levels of government, and others as the need arises, with expert advice and recommendations on public policy issues that have an impact on artists and arts organizations.

As a result, the Council's Corporate Plan for 2005-06 to 2007-08 sets out three operational goals for the planning period. These goals are reviewed each year and updated as appropriate to ensure that they continue to reflect the Council's mandate and are still relevant in the context of the current operating environment and the resources available to the Council.

The three operational goals and related strategies are to:

Goal 1
Refocus support for creation, production and dissemination of the arts

- Maximize the interface between individual artists and society

- Promote the creative health and sustainability of arts organizations
- Develop viable platforms for the work of Aboriginal artists
- Capitalize on the stimulus cultural diversity provides in the arts
- Strengthen Canada's international presence in the arts

Goal 2
Increase capacity in the funding infrastructure of the arts

- Make the case for increased Council funding and help to enhance the continuum of federal support
- Develop the Council's research capacity
- Draw on the benefits of networks and partnerships
- Practice high standards of accountability

Goal 3
Foster public knowledge and appreciation of Canadian artistic achievement

- Celebrate the arts
- Promote the arts

The Council's performance in the first two fiscal years of the current Corporate Plan (2005-06 and 2006-07) and in the previous year, as measured against these operational goals, is reported in the Corporate Scorecard. This includes a series of events and activities related to the celebration of the Council's 50th anniversary undertaken between January 1 and March 31, 2007. These celebratory activities will continue to December 31, 2007 in cities and towns across Canada.

In 2006-07 and 2007-08, a total of $50 million was added to the Council's base budget. All of the funds were or will be awarded as grants to arts organizations receiving operating support from the Canada Council, to individual artists and to initiatives to encourage public access to the arts. The use of these new funds is shown separately on page 21. The $20 million added in 2006-07 is also included in the figures for that year in the Corporate Scorecard.

Approximately $20 million of the $30 million for 2007-08 has been allocated to arts organizations receiving operating support through a single competition in 2006-07; the remainder will be allocated for support to individual artists ($5 million) and to initiatives to encourage public access to the arts ($5 million) in 2007-08 through the Council's regular programs.

Corporate Scorecard

Canada Council at a glance	2006-07 (in thousands of dollars)	2005-06 (in thousands of dollars)	2004-05 (in thousands of dollars)
Parliamentary appropriation	**$ 172,507**	**$ 151,683**	**$ 152,111**
Grants			
Arts programs	$ 139,971	$ 119,721	$ 120,302
Prizes and fellowships	$ 3,553	$ 3,323	$ 3,001
Public Lending Right payments	$ 9,121	$ 9,042	$ 9,025
Total	**$ 152,645**	**$ 132,086**	**$ 132,328**
Grant applications			
Individual artists	8,319	9,154	9,952
Arts organizations	7,344	6,416	6,365
Total	**15,663**	**15,570**	**16,317**
Applications received via GO! Grants Online (included in total above)	1,282	710	not applicable
Grants awarded			
Individual artists	2,204	2,083	2,246
Arts organizations	4,430	3,679	3,706
Total	**6,634**	**5,762**	**5,952**
Communities in which the grants were awarded	658	634	633
First-time applicants (individual artists and arts organizations)			
First-time applicants	2,994	3,344	3,672
Communities where they live or are located	646	676	701
First-time recipients	1,111	1,027	1,159
Peer assessors			
Peer assessors	778	767	748
Communities where they live	183	183	189
First-time peer assessors	337	339	360

See page 16 for notes

GOAL 1
Refocus Council support for creation, production and dissemination of the arts

	2006-07		2005-06		2004-05	
		(in thousands of dollars)		(in thousands of dollars)		(in thousands of dollars)
Maximize the interface between individual artists and society						
Support to individual artists	**2,037**	**$ 21,161**	**1,927**	**$ 18,227**	**2,080**	**$ 19,285**
Strategies and program initiatives						
Residencies and commissioning programs	132	$ 2,215	111	$ 1,858	113	$ 2,163
Artists and community collaborations	89	$ 1,255	73	$ 1,011	71	$ 845
Multi-year project support to individual artists	24	$ 884	3	$ 105	0	$ 0
Promote the creative health and sustainability of arts organizations						
Operating support to organizations						
Annual operating support	540	$ 23,211	479	$ 21,629	515	$ 21,901
Multi-year operating support	675	$ 66,068	455	$ 52,948	477	$ 54,285
Total	**1,215**	**$ 89,279**	**934**	**$ 74,577**	**992**	**$ 76,186**
Project support to organizations						
Annual project support	1,815	$ 26,544	1,707	$ 25,481	1,744	$ 24,056
Multi-year project support	78	$ 3,761	50	$ 2,057	31	$ 1,185
Total	**1,893**	**$ 30,305**	**1,757**	**$ 27,538**	**1,775**	**$ 25,241**
Strategies and program initiatives (amounts included in totals above)						
Flying Squad and Flying Eagle programs	177	$ 1,071	235	$ 1,666	37	$ 587

Note: First columns on page 15-21 refer to the number of individual artists and/or arts organizations, as opposed to the number of applications or grants. An individual artist or arts organization might receive more than one grant in a given year (for example, project grant and travel grant).

All figures reported in fiscal year 2006-07 include new funds for operating organizations, individual artists and public access to the arts detailed in the overview table on page 21.

	2006-07		2005-06		2004-05	
Develop viable platforms for the work of Aboriginal artists		(in thousands of dollars)		(in thousands of dollars)		(in thousands of dollars)
Support to Aboriginal artists and arts organizations						
Capacity Building Initiative: Support for Aboriginal Artistic Practices (arts organizations)	24	$ 587	15	$ 440	n/a	n/a
Other support to Aboriginal artists and arts organizations	328	$ 5,322	449	$ 5,378	398	$ 4,386
Total	**352**	**$ 5,909**	**464**	**$ 5,818**	**398**	**$ 4,386**
Capitalize on the stimulus cultural diversity provides in the arts						
Support to culturally diverse arts organizations and artistic practices						
Capacity building program for culturally diverse arts organizations and artistic practices	46	$ 1,380	69	$ 2,045	57	$ 1,712
Other support to culturally diverse arts organizations and artistic practices	439	$ 5,434	355	$ 4,019	387	$ 4,691
Total	**485**	**$ 6,814**	**424**	**$ 6,064**	**444**	**$ 6,403**
Strengthen Canada's international presence						
Grants for work in an international context	**1,064**	**$ 7,819**	**1,062**	**$ 6,341**	**1,137**	**$ 6,779**
Canadian Commission for UNESCO						
Participation in events related to UNESCO's mandate	45		38		35	
Public Lending Right Commission						
Canadian authors receiving payments	15,417	$ 9,121	14,972	$ 9,042	14,441	$ 9,025
Communities where they live (in Canada)	1,687		1,640		1,649	
Communities where they live (outside Canada)	332		327		321	

	2006-07	2005-06	2004-05
	(in thousands of dollars)	(in thousands of dollars)	(in thousands of dollars)
GOAL 2 **Increase capacity in the funding infrastructure supporting the arts**			
Make the case for increased Council funding; and help to enhance the continuum of federal support			
Increased Council funding (See overview table on new funds for operating organizations, individual artists and public access to the arts, p. 21)			
Develop the Council's research capacity			
New activities related to research capacity in 2006-07			
Established multi-year research partnership with the Dept. of Canadian Heritage and Ontario Arts Council to fund Hill Strategies research program			
Developed a Council-wide inventory of research activities and plans			
Initiated development of corporate guidelines for reporting of grants and other data			
Draw on the benefits of networks and partnerships			
Tri-level meetings with provincial, territorial and municipal funders	22	9	not applicable
Canadian Public Arts Funders (CPAF) meetings and staff professional development meetings	8	4	not applicable
Practice high standards of accountability			
Human resources			
Employees	204	194	182
Professional development and training costs per employee (in dollars)	$ 865	$ 867	$ 759
Internal audit (commenced April 2004 - ongoing)			
Peer Assessment Process - Ensuring Efficiency and Effectiveness (November 2004)			
Procurement Process - Policy Assessment and Contracting Activity Compliance (April 2005)			
Grant Application Process (December 2005)			

GOAL 3
Foster public knowledge and appreciation of Canadian artistic achievement

	2006-07		2005-06		2004-05	
		(in thousands of dollars)		(in thousands of dollars)		(in thousands of dollars)
Celebrate the arts						
Canada Council for the Arts 50th anniversary activities (January 1 – March 31, 2007)						
Events dedicated to the Council by arts organizations	47					
Communities across Canada	19					
Media reports (print & broadcast)	149					
50th anniversary web site (February / March 2007)						
Page views	36,482					
Visits	5,867					
Unique visitors	4,691					
Celebrating exceptional achievement through prizes and fellowships						
Prize and fellowship winners	185	$ 3,553	171	$ 3,323	172	$ 3,001
Prize presentation ceremonies	24		21		20	
Cities where ceremonies were held	8		5		5	
Fine stringed instruments awarded on three-year term loans	14		13		13	
Insured value of the instruments ($CAN)		$ 22,529		$ 20,221		$ 20,050
Promote the arts						
New funds invested in grants for initiatives to encourage public access to the arts (See overview table on new funds for operating organizations, individual artists and public access, p. 21)						
Support for dissemination activities	**1,594**	**$ 25,567**	**1,607**	**$ 21,759**	**1,717**	**$ 22,477**
Impact of touring grants on Canadians across the country						
Touring grants (music, dance, theatre only)	191	$ 4,624	182	$ 3,768	181	$ 3,158
Communities receiving tours (Figures based on completed final reports for 2005-06)	n/a		234		n/a	

	2006-07		2005-06		2004-05	
		(in thousands of dollars)		(in thousands of dollars)		(in thousands of dollars)
Literary readings						
Grants for literary readings	252	$ 1,401	254	$ 1,173	263	$ 1,244
Literary readings	1,097		1,131		1,206	
Venues hosting literary readings	415		586		613	
Host organizations	219		218		228	
Communities where they are located	127		126		124	
Canada Council Art Bank						
Works in collection	17,498		17,466		17,552	
Works on rental contracts	6,470		6,358		5,990	
Rental income		$ 1,884		$ 1,837		$ 1,647
New purchases	85	$ 310	9	$ 21	65	$ 230
Other						
Media / public relations						
News releases / media advisories issued	57		42		48	
Council messages in arts event programmes	52		48		31	
Media reports on the Governor General's Literary Awards (print & broadcast)	431		389		368	
Media reports on the Governor General's Awards in Visual and Media Arts (print & broadcast)	139		105		104	
Canada Council web site traffic (in thousands)						
Page views per year	6,774		5,290		not available	
Visits per year	1,232		1,007		not available	
Unique visitors	775		642		not available	

New funds in 2006-07 and 2007-08

	2007-08		2006-07		Total new funds	
		(in thousands of dollars)		(in thousands of dollars)		(in thousands of dollars)
Increase in parliamentary appropriation (May 2006 federal budget)						
Supplementary operating grants to arts organizations receiving operating support from the Council		$ 20,000		$ 13,000		$ 33,000
New funds allocated to projects by individual artists		$ 5,000		$ 3,500		$ 8,500
New funds allocated to grants for initiatives to encourage public access to the arts		$ 5,000		$ 3,500		$ 8,500
Total		**$ 30,000**		**$ 20,000**		**$ 50,000**
New funds invested						
Supplementary operating grants to arts organizations receiving operating support from the Council						
Arts organizations eligible to apply	937		937			
Arts organizations which applied	858		858			
Supplementary operating grants awarded	561	$ 20,000	561	$ 13,000		$ 33,000
Communities where the organizations are located	103		103			
New funds invested in projects by individual artists						
Grants awarded	*		333	$ 3,474		$ 3,474
Communities where they live			94			
New funds invested in grants for initiatives to encourage public access to the arts						
Grants awarded (individuals/organizations)	*		462	$ 3,522		$ 3,522
Communities where they live or are located			134			
Total invested		**$ 20,000**		**$ 19,996**		**$ 39,996**
New funds remaining to be invested						
New funds to be invested in projects by individual artists		$ 5,004		$ 0		$ 5,004
New funds to be invested in grants for initiatives to encourage public access to the arts		$ 5,000		$ 0		$ 5,000
Total remaining to be invested		**$ 10,004**		**$ 0**		**$ 10,004**
Total new funds invested and remaining to be invested		**$ 30,004**		**$ 19,996**		**$ 50,000**

* For 2007-08 total grant budgets have been allocated but grants have yet to be awarded

Highlights

Cross-cultural exchanges enrich the arts

Canadian society is a meeting place for people of many countries of origin to share and develop their artistic practices.

- The two first-place winners of the 2006 Canada Council Musical Instrument Bank competition (top violinist and top cellist) were both of East Asian origin. Yi-Jia Susanne Hou, born in Shanghai, won a three-year loan of the 1729 Guarneri del Gesù violin, valued at $3.2 million. (She had earlier won the loan of it in the 2003 competition.) Soo Bae, born in South Korea, won a three-year loan of the ca. 1696 Bonjour Stradivari cello, valued at $5.8 million. Both players grew up in the Toronto area and studied at the Royal Conservatory of Music in Toronto.

- Through the Council's Supplementary Operating Funds Initiative, the Vancouver Art Gallery received a grant of $450,000 to offer its audiences expanded access to Asian Pacific contemporary art and to deepen the Gallery's connection to Lower Mainland Asian communities (Vancouver).

- Through the same program, Toronto's Fujiwara Dance Inventions received a grant of $22,000 to support increased creation expenses and studio rental costs. The company combines contemporary dance with the Japanese dance form, *butoh*.

- Musique Multi-Montréal showcases musicians from a wide range of cultural backgrounds. A grant of $28,000 through the Canada Council's Supplementary Operating Funds Initiative is helping it to link culturally diverse Quebec artists with presenters in North America and around the world, providing greater opportunities for audiences to experience the work of some of the finest artists in classical and traditional world music from over 75 different musical cultures.

Contemporary practices are transforming Aboriginal arts

Aboriginal artists are exploring new ways of drawing on traditional beliefs and practices to create strong and original works of contemporary art.

- Santee Smith, a member of the Mohawk Nation's Turtle Clan from Six Nations near Brantford, Ontario, was awarded the Canada Council's 2006 Victor Martin Lynch-Staunton Prize (Dance), a $15,000 prize for mid-career artists. Her strong professional background includes four years of study at the National Ballet School and an M.A. in dance from York University. Inspired by the traditions of her Haudenosaunee heritage, she turned to choreography in 1996. In 2005 she formed her own troupe.

- The Canada Council initiated a partnership with the National Gallery of Canada to offer a mid-career Aboriginal curator a two-year residency at the Gallery focusing on the study and use of its collections. The resident will prepare an exhibition for the Gallery's On Tour program. The Council will administer the competition and provide an honorarium of $42,000 per year plus a travel allowance.

- The Rooms, Newfoundland and Labrador's provincial art gallery, received a $59,700 grant to commission Aboriginal multi-media artist Rebecca Belmore to create a new installation entitled *March 5, 1819 – The Capture of Mary March*. Belmore represented Canada at the 2005 Venice Biennale in visual art.

- Fort Smith's NWT Cree Language Program received its first grant from the Grants to Aboriginal Writers, Storytellers and Publishers program in the amount of $20,000 to assist in the development of a series of five books entitled *Pi's Adventures* in 2006-07. The life and adventures of Pi Kennedy, a well-known young Métis trapper in the Northwest Territories, will be published in Cree and English.

The arts and the young

A love of the arts strongly rooted in childhood experience will enrich a lifetime. Outreach to children and young people was funded extensively through the Canada Council's Supplementary Operating Funds Initiative.

- A grant of $22,000 to Ottawa's Théâtre de la Vieille 17 is helping the French-language company to develop ties with children aged 4 to 8.

- With the help of an $85,000 grant, children's publisher Les éditions de la courte échelle is conducting market research to identify and exploit avenues for expansion.

- A grant of $75,000 is helping Nunavut Independent Television Network to engage Inuit youth in the media arts as artists and audiences in five remote communities.

- Mermaid Theatre of Nova Scotia, which creates puppet theatre for young audiences around the world, received a grant of $17,500 to launch a new initiative in artistic programming.

Four seasons of opera and ballet

Major new developments in Toronto's performing arts infrastructure have spawned the creation of an ambitious repertoire attracting broader audiences.

- Grants of $2.2 million to the Canadian Opera Company and $1.3 million to the National Ballet of Canada through the Canada Council's Supplementary Operating Funds Initiative have made it possible for these internationally-recognized companies to explore and capitalize on the many new opportunities for large-scale production and outreach created by the opening of Toronto's Four Seasons Centre in June 2006.

Canadian creativity in action

- A grant of $1 million to the Stratford Festival through the Canada Council's Supplementary Operating Funds Initiative has enabled the Festival to extend its New Play Development Program to encompass workshops of plays with large casts and high technical requirements. The Festival will commission a total of eight additional plays in 2007-08, with emphasis on diverse voices, literary adaptations, musical theatre and theatre for young audiences. The new funds will also support an intensive Master Director's Symposium.

New technologies support the media arts

A number of grants made through the Canada Council's Supplementary Operating Funds Initiative are improving dissemination of the media arts across Canada.

- A grant of $30,000 to the Centre for Art Tapes in Halifax is helping the Centre to create an on-line "virtual space" to exhibit digital artworks.

- A grant of $50,000 enabled the Pacific Cinemathèque to purchase a high definition video projector to improve the screening of programs (its own and those of other groups) at its Vancouver facilities.

- Charlottetown's Island Media Arts Cooperative received a $10,000 grant under the Supplementary Operating Funds Initiative to enhance its organizational development.

Regional and national touring gets a boost

Through the Canada Council's Supplementary Operating Funds Initiative, a number of performing arts companies are bringing their work to broader audiences across the country.

- A grant of $65,000 is helping the Manitoba Chamber Orchestra reach new audiences in rural Manitoba and across Canada, strengthen outreach to high-school students, produce audio program notes for the visually impaired and distribute new music through iTunes.

- A grant of $325,000 is helping Alberta Ballet to create a new program of works suited to smaller theatre venues. Under artistic director Jean Grand-Maître, the company has premiered 15 one-act ballets as well as five full-length works. Now the third-largest company in Canada, it has an active domestic touring schedule. The grant will also enable it to purchase new software for ticketing, customer service and the management of contact information.

- With the help of $371,000, the Tafelmusik Baroque Orchestra, Canada's 27-year-old orchestra of period

instruments, is investing in core artistic initiatives of touring, young audience development, educational projects and the use of new recording distribution networks.

- The De-ba-jeh-mu-jig Theatre Company, an Aboriginal company working in new facilities at Wikwemikong and Manitowaning, will use its grant of $60,000 to develop its audience across the whole of Manitoulin Island.

- A grant of $235,000 is helping the Quebec City company Ex-Machina to develop the final version of Robert Lepage's latest international production *Lipsynch*, in French, English, Spanish and German. A five-and-a-half-hour version was featured at the Festival TransAmériques in Montreal in May 2007.

The Art Bank at 35

There were two major Art Bank initiatives in celebration of the Bank's 35th anniversary and the Canada Council's 50th.

- *Art at Work*, edited by Art Bank director Victoria Henry and published by Goose Lane Editions, is a handsome volume recounting the history of the Art Bank and illustrated with works from its collection.

- In May 2007, the Art Gallery of Nova Scotia became the first beneficiary of a new 50th anniversary Canada Council outreach program, using original prints from the Art Bank holdings to help young people and the broader public in smaller communities outside Halifax learn more about contemporary Canadian visual art.

The arts in public spaces

Artists are increasingly making use of public spaces (e.g., streets, parks, municipal recreation centres) to promote community and neighbourhood participation in the arts. Grants made through the Council's Supplementary Operating Funds Initiative are putting an increased focus on participatory arts events.

- Common Weal Community Arts in Regina brings together artists and the broader community to collaborate on artistic projects. With a grant of $25,000, Common Weal is strengthening its artistic programming and human-resource capabilities.

- Les Productions Recto-Verso in Quebec City combines theatre, multimedia and other art forms. With a grant of $25,000, it is broadening its operations to other areas of the province.

- With a grant of $40,000, Vancouver's Public Dreams Society is hiring a fundraiser to generate increased resources in the period leading up to the 2010 Olympics in Vancouver.

Digital initiatives

Art galleries are leaders in bringing the latest in contemporary art to new audiences, and grants made through the Canada Council's Supplementary Operating Funds Initiative enabled numerous galleries to expand access, notably through the application of digital technology. Digital technology is also expanding the range of Canadian books available to the public.

- A grant of $25,000 to the Owens Art Gallery in Sackville, New Brunswick, supported an initiative to replicate core functions of the gallery on line.

- A grant of $175,000 enabled the Winnipeg Art Gallery to develop new interpretive strategies for contemporary art programming based on the use of blogs, digital audio programs and podcasting from its web site.

- A grant of $275,000 enabled the Montreal Museum of Fine Arts to work with the Daniel Langlois Foundation to mount a major international exhibition of digital art.

- With a grant of $200,000 from the Council's Supplementary Operating Funds Initiative, McClelland & Stewart is rejuvenating its New Canadian Library series by digitizing some titles and reissuing others in a modernized trade paperback format.

The Canada Council turns 50

A number of special events and activities highlighted the achievements of the Council's 50th anniversary.

- By the end of the fiscal year, arts organizations funded by the Council had held approximately 50 special events – performances, concerts, premieres of new works, exhibition openings – dedicated to the Canada Council. Another

100 or so events were scheduled for the remainder of the calendar year. A Canada Council board member or senior staff member attended most of these events.

- The Council's "50 for 50 Arts Challenge" (*www.artschallenge.ca*) is calling on Canadians to discover how much the arts are a part of their lives by living the arts in 50 different ways through 2007. Whitehorse singer-songwriter Kim Barlow and Toronto-based, French-language writer Paul Savoie are guest bloggers on the Challenge web site.

- A 50th anniversary web site (*www.50.canadacouncil.ca*) highlights the history of the Canada Council and the achievements of Canadian artists.

- *Stradissimo!*, a free concert featuring the winners of the 2006 Musical Instrument Bank competition playing instruments valued at more than $22 million, was organized by the Council in partnership with the National Arts Centre and CBC/ Radio-Canada, as an anniversary gift to the public, who attend, enjoy and support professional arts events in growing numbers in every part of Canada. The May 8, 2007 concert was taped for national broadcast on CBC Radio One and Radio 2 and Radio-Canada's Espace musique.

Note: Grants awarded through the Canada Council's Supplementary Operating Funds Initiative are for 2006-07 and 2007-08.

A Ten-Year Perspective: 1997-2007

	2006-07		1996-97	
Parliamentary appropriation	$ 172.5 million		$ 91.1 million	
Number of grant applications (1)	15,663		10,316	
Number of grants awarded (1)	6,634		3,838	
Number of Public Lending Right payments to authors	15,417		10,730	
Total funding to the arts (2)	$ 152.6 million	84.2 %	$ 87.1 million	83.2 %
Services to the arts community (3)	$ 4.7 million	2.6 %	$ 1.6 million	1.6 %
Administration expenses	$ 22.1 million	12.2 %	$ 14.7 million	14.0 %
Canadian Commission for UNESCO (4)	$ 1.8 million	1.0 %	$ 1.3 million	1.2 %
Total expenses	$ 181.2 million	100.0 %	$ 104.7 million	100.0 %
Number of employees (5)	204		171	

Notes:
(1) Excludes certain awards and prizes (e.g., the Killam Program), Art Bank purchases and Public Lending Right program.
(2) Includes grants, all awards and prizes, Art Bank purchases and Public Lending Right payments.
(3) Includes costs for peer assessment, arts advisory committees, workshops and other professional services to the arts community (e.g., Flying Squad coordinators.)
(4) Includes program and administration expenses.
(5) In 1994-95, prior to a significant reduction in administrative costs and staff cuts, the Canada Council had 268 employees.

Financial Overview

Highlights

The Council's parliamentary appropriation of $172.5 million includes an increase of $20 million as the first part of a two-year increase of $50 million announced in the May 2006 Federal budget. In addition, the Council experienced a year of good investment returns at 13.6% and the market value of the portfolio grew by $29.6 million. Program expenses increased by $21.8 million as a direct result of the increase to the parliamentary appropriation. Through efficient use of its resources, the Council was able to keep its general administration expenses at about the same level as the previous year. Total equity continues to grow as Council reinvests the excess returns generated by its investments. In 2006-07 the Canada Council for the Arts is reporting a surplus from operations of $18.8 million, of which $15.5 million will be reinvested in its endowed funds.

Balance Sheet as at March 31

(in thousands of dollars)	2007	2006
Total assets	$ 373,806	$ 328,388
Total liabilities and private endowments	130,797	103,965
Equity	243,009	224,423

Statement of operations for the year ending March 31

(in thousands of dollars)	2007	2006
Parliamentary appropriation	$ 172,507	$ 151,683
Net investment income	25,902	26,151
Other revenue	1,556	2,335
Total revenue	**$ 199,965**	**$ 180,169**
Programs	$ 167,370	$ 145,529
Canadian Commission for UNESCO	1,784	2,108
General administration	12,015	12,703
Total expenses	**$ 181,169**	**$ 160,340**
Surplus for the year	**$ 18,796**	**$ 19,829**

Balance Sheet

Assets

As at March 31, 2007, total current assets were $32.2 million, an increase of $25.8 million over the previous year. Current assets are those assets that in the normal course of operations are expected to be converted into cash or expensed within the next year. They include cash and cash equivalents, accrued investment income, accounts receivable and prepaid expenses. The major increase occurred in cash and cash equivalents, which represent the temporary investment of the Council's excess cash in a short-term pooled fund that is managed by a professional money manager. Cash and cash equivalents increased from $3.4 million at March 31, 2006 to $29.5 million at March 31, 2007 due to the receipt of additional funding from the government, not all of which had been paid out by March 31. The short-term funds earned a return of 4.24% in 2006-07 and had an average term to maturity of 72 days (2005-06 - 2.92% return, and average term to maturity of 50 days).

As at March 31, 2007, the market value of the Council's investments is $344.3 million, an increase of $29.6 million over the previous year. The Council invests in pooled funds that are managed by professional money managers. The Council's investments are guided by an Investment Policy which is approved by the Board and available from the Council. The long-term objectives of the portfolio are to generate long-term real returns to supplement the parliamentary appropriation and to support the fellowship and prize awards for the Killam and Special Funds, while maintaining the purchasing power of the endowed capital.

The Council is assisted in the oversight and management of its portfolio by an Investment Committee. The Committee is composed of independent experts with experience in both the investment field and the asset classes being invested in. Board members of the Council are also represented on the Investment Committee. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work.

The Investment Committee reviews the Council's Investment Policy annually, and, as the investment markets become more global and diversified, the Committee recommends adjustments to the asset mix to reflect those changes. This year the Investment Committee discussed diversifying the management structure, reducing the risk concentration in the

Canada Council Endowment and Special Funds, and Killam Funds

Chart I: Asset Mix 2006-07

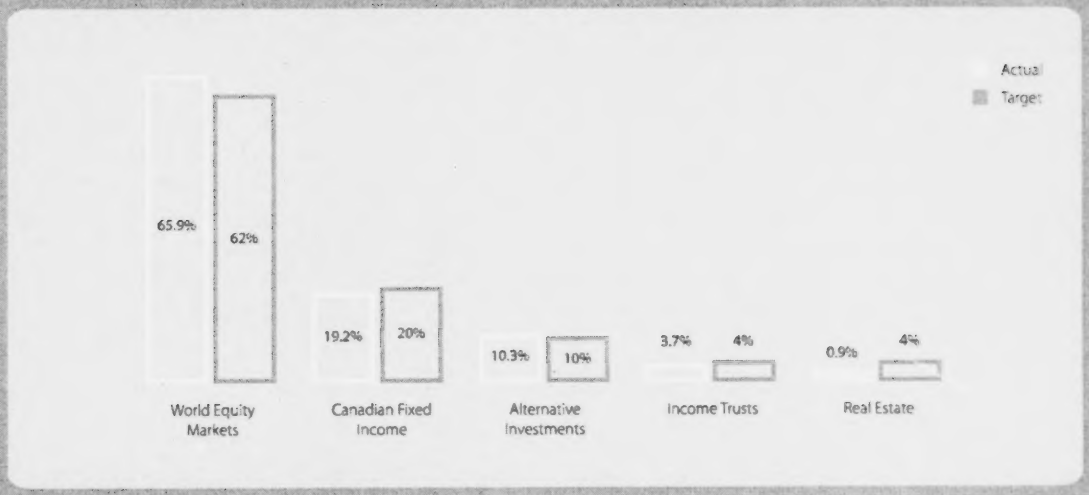
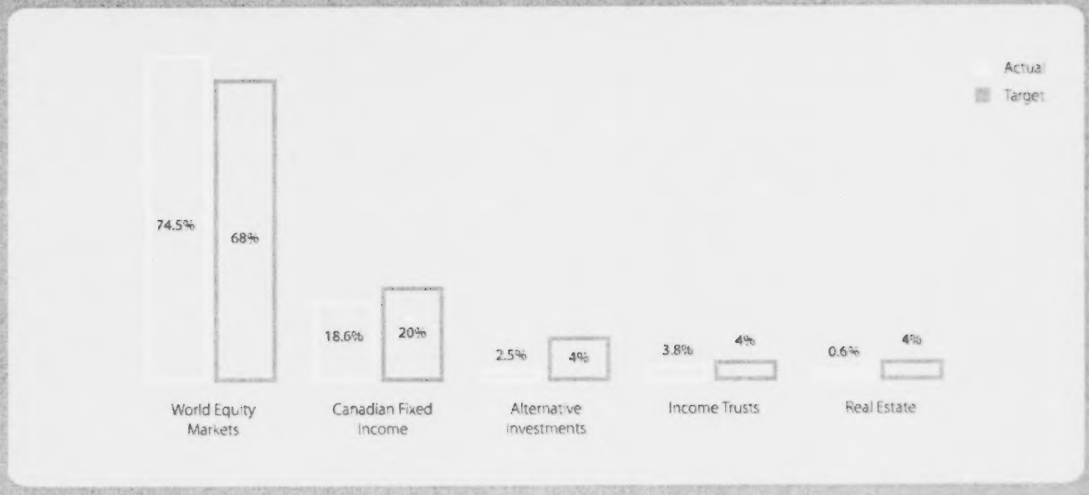


Chart II: Asset Mix 2005-06



portfolio by considering other options and revising the asset mix. Over several meetings they reviewed the impact that any changes might have on the portfolio and, with the approval of the Board, made adjustments to the asset mix targets as shown in charts I and II on the previous page along with the actual asset mix at March 31.

The Council is moving towards an investment portfolio which replicates its targets in each of these asset classes, in agreement with its Investment Policy. The allocation to real estate is planned to grow to 4% over the course of the next few years.

During the year, the Council realized net capital gains of $24.1 million from the sale of a portion of its world equity portfolio, its Canadian fixed income portfolio and its individual income trust investments. The proceeds from these sales were used to diversify the portfolio: restructuring the world equity and Canadian fixed income portfolios by hiring new investment managers; increasing the allocation to alternative investments by hiring two hedge fund managers; and investing in an income trust pooled fund with the same portfolio manager. Income trusts represent 3.6% of the Council's portfolio, and the announcement by the Federal government in October 2006 regarding the taxation of income trusts had a negative impact that was offset by strong performance from the Council's world equity investments.

Works of art and musical instruments appear on the Council's balance sheet at a value of $19.7 million as at March 31, 2007, a net increase of $156 thousand over the previous year. During the year, the Canada Council Art Bank acquired 111 new works at a cost of $382 thousand including donated artworks and disposed of works costing $226 thousand. The Art Bank has the largest collection of contemporary Canadian art in Canada with about 17,500 works, and rents art work to interested public and private sector organizations. The Art Bank is allowed to reinvest any surplus from its operations in the acquisition of new works of art. The Council's Musical Instrument Bank owns or manages 13 historically important, fine stringed musical instruments and a fine cello bow. The instruments are loaned to gifted young musicians.

Other capital assets include office equipment and leasehold improvements. These have decreased by $595 thousand over the course of the year. Acquisitions have been offset by amortization expenses during the year.

Liabilities and Private Endowments

As at March 31, 2007, the combined balance of current liabilities was $44.2 million, an increase of $19.5 million over the previous year. Current liabilities are those liabilities that in the normal course of operations are expected to be paid within the next year. They have been included in the Council's expenses for 2006-07. Current liabilities include grants payable; accounts payable and accrued liabilities; and deferred parliamentary appropriations. The major change occurred in grants payable, which increased $20.1 million over the previous year. The timing of the payments to grant recipients is the main reason for the increase.

Other liabilities include deferred revenues, which pertain to Art Bank rental fees received in advance of their due date and to the unamortized portion of the lease inducement received from the Council's landlord, Oxford Properties; employee future benefits are the severance entitlements of the Council's employees and typically increase with each additional year of service; and deferred contributions represent income earned by other funds and trusts which are restricted in their use. This account has increased in 2006-07 as a result of the investment returns earned by these other funds and trusts.

Private endowments consist of a number of other funds and trusts received by the Council as donations and set up for specific purposes according to the wishes of the donor. They total $78.0 million as at March 31, 2007. This figure represents the cumulative capital contributions and appropriated surpluses at year-end. The increase of $6.5 million includes two new funds, totalling $2.5 million, that were donated by The Samuel and Saidye Bronfman Family Foundation. The Killam Funds, at $60.7 million, remain the largest funds at year-end.

Equity

Equity consists of the following elements as at March 31:

(in thousands of dollars)	2007	2006
Equity		
Endowment	$ 50,000	$ 50,000
Surplus related to the endowment	157,745	142,245
Surplus – invested in works of art and musical instruments	19,747	19,591
Unrestricted surplus	15,517	12,587
	$243,009	**$224,423**

An amount of $50 million continues to be recognized as the original contribution to the endowment when the Council was established in 1957. Surplus related to the endowment has increased by $15.5 million over the course of the year, as a result of favorable investment returns. The Council's policy is that, when investment returns are greater in a year than those budgeted, the excess is transferred from unrestricted surplus to the surplus related to the endowment. The total of $157.7 million at March 31, 2007 represents the sum of excess investment returns since the establishment of the Council. The Council also recognizes as a component of equity an amount which equals the cost of its works of art and musical instruments. Unrestricted surplus in the amount of $15.5 million makes up the balance of the equity account and includes unspent grant budgets of previous years and a reserve to allow for the smooth operation of the Council.

Statement of Operations

Summary Statement of Operations
for the year ending March 31

(in thousands of dollars)	2007 Actual	2007 Budget	2006 Actual
Revenue			
Parliamentary appropriation	$ 172,507	$ 152,085	$ 151,683
Net investment income	25,902	10,758	26,151
Net Art Bank revenue (costs)	300	(36)	805
Other	1,256	1,009	1,530
	199,965	163,816	180,169
Expenses			
Programs	167,370	148,662	145,529
Canadian Commission for UNESCO	1,784	2,096	2,108
General administration	12,015	13,118	12,703
	181,169	163,876	160,340
Surplus (deficit) for the year	**$ 18,796**	**$ (60)**	**$ 19,829**

The Council receives an annual appropriation from Parliament. For the year ended March 31, 2007, this amount was $172.5 million, $20.8 million greater than in 2005-06. In the May 2006 Federal budget the Council received additional funding of $50.0 million over two years, $20.0 million in 2006-07 and $30.0 million in 2007-08.

The Council earned net investment income of $25.9 million in 2006-07. This amount is $249 thousand less than 2005-06, but $15.1 million greater than budget. The financial markets in which the Council invests are quite diversified and, as chart III on the next page indicates, they have delivered average annual returns in each period that have exceeded the benchmark. The Endowment and Special Funds and the Killam Funds earned one-year returns of 13.6% and 13.0% respectively on their portfolios.

Net gains on disposal of investments represented the largest portion of investment revenue for the year, totalling $24.1 million. The proceeds realized from the sale of those assets were reinvested in the portfolio. Net losses on foreign currency of $2.7 million were attributable to a strengthening in the value of the Canadian dollar. During the year, the Council sold the world equity funds that were subject to its currency hedging program, a program used to minimize the impact of changes in currency. Dividend and interest income were also important items in net investment income, increasing by $360 thousand over the amount reported for 2005-06.

The Council's Investment Policy prescribes that cash can be withdrawn from the portfolio at a rate of up to 4.5% of the previous three-year average market value using balances at December 31, the date which is used to calculate budget investment income. Chart IV on the next page shows the annual returns for the Council in each year since 2001 and the corresponding effect those returns have had on the year-end market value. Chart IV on the next page also demonstrates how the investment market returns can fluctuate year over year. The Council reinvests excess returns above the budgeted rate in order to ensure the continued growth of the fund. This reinvestment is also intended to bring the value of the portfolio closer to what the original endowment amount from 1957 would be if expressed in today's dollars. This proactive approach helps bring additional stability and long-term returns for the Council. In years where market returns are not as favourable as expected, the Board may approve the use of previous years' returns that are represented by surplus related to the endowment, a component of equity on the balance sheet.

Net Art Bank revenue is higher than anticipated for the year but below last year's reported figure of $805 thousand due principally to the recognition in 2005-06 of a significant donation of nine works of art.

Other revenue includes the cancellation of grants awarded in previous years, boardroom rental fees, donations, tax rebates and others. These revenues can fluctuate from year to year, and have decreased by $274 thousand over the past year.

Chart III: Canada Council Annualized Portfolio Returns

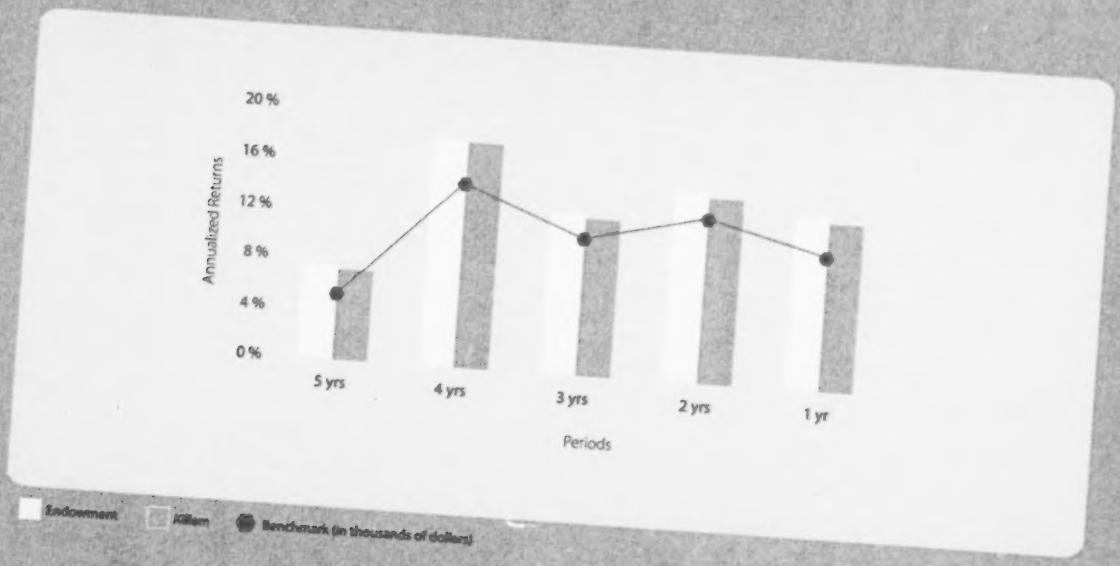
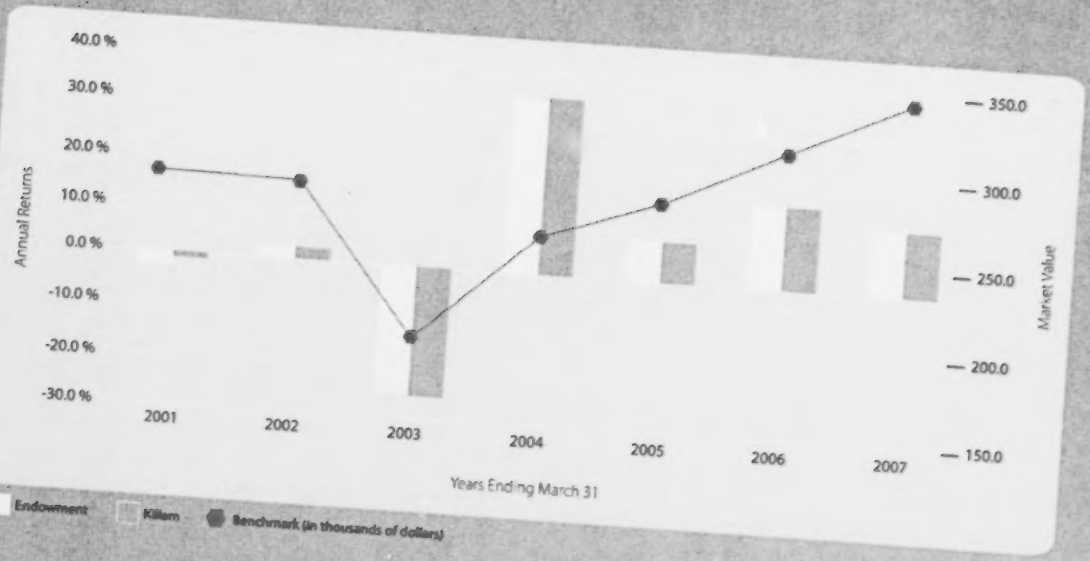


Chart IV: Canada Council Annual Portfolio Returns



Program expenses for the years ending March 31 include the following three components:

(in thousands of dollars)	2007	2006
Grants	$152,645	$132,086
Services	4,699	4,571
Administration	10,026	8,872
	$167,370	**$145,529**

In 2006-07, program expenses accounted for over 92% of Council's total expenses of $181.2 million, a higher percentage than in 2005-06. As can be seen from the table above, they include three components. Grants to artists and arts organizations represented more than 91% of the total program expenses and increased by $20.6 million this year as a direct result of the new funding. Services include additional support provided to the arts community, such as expenses related to workshops, adjudication of programs and advisory committees. Program administration costs relate to the direct cost of operating the Council's programs. These include salaries, benefits, travel and professional services and increased $1.1 million over the previous year. This increase was mainly due to the administration of the new funds.

The Canadian Commission for UNESCO (CCU) operates under the aegis of the Canada Council. The CCU spent $1.8 million in 2006-07, a decrease of $324 thousand over 2005-06. The CCU co-ordinates UNESCO program activities in Canada; encourages Canadian participation in UNESCO activities abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about future UNESCO programs and budgets to the Department of Foreign Affairs and International Trade. The CCU also initiates activities in Canada to obtain visibility for UNESCO's program objectives.

General administration expenses include the cost of Corporate Services (Finance, Human Resources and Information Management), Governance, Communications and Partnerships. Items include salaries, benefits, travel, professional services, amortization, accommodation and others. These costs were $688 thousand lower than those reported in 2005-06 and $1.1 million under budget due to an unexpected rebate for property taxes.

Audit Notes

As required by sections 131 to 148 of Division III of Part X of the *Financial Administration Act*, the Council is required to have a special examination performed by the Office of the Auditor General every five years. This is planned to occur in the 2007-08 fiscal year. Also, the Council's outsourced internal audit function is updating the internal audit plan for Council. The revised internal audit plan is scheduled for implementation in the upcoming year.

Future Accounting Changes

The Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards that will have an impact on the Council: Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments; Recognition and measurement* and Section 3865, *Hedges*. These pronouncements establish standards for the recognition, measurement and presentation of Financial Instruments. The new standards, together with the impact of these changes, are described in the Note 2 (k) of Council's Financial Statements. The standards come into effect for 2007-08. The Council had originally opted for early adoption in 2006-07, but reconsidered its decision and will commence using the new standards in 2007-08.

The 50th
A Day for the Arts

Fifty of Canada's most outstanding artists were in Ottawa on March 27-28 to celebrate the 50th anniversary of the Canada Council for the Arts. The Council designated March 28, 2007 "A Day for the Arts" (the Council was created by Parliament on March 28, 1957). The artists, who came from across the country and represented all areas of the arts, met with Parliamentarians on March 27 and were saluted in the House of Commons and the Senate. On March 28, they participated in a mentoring conference with aspiring artists from Ottawa area schools. The students had an opportunity to interact with the artists and learn first-hand what it is like to make a career in the arts. The 50th anniversary was also marked by a reception and dinner at Rideau Hall, hosted by Their Excellencies the Right Honourable Michaelle Jean, Governor General of Canada, and Mr. Jean-Daniel Lafond.

Top: youth and artists during the mentoring conference at the National Arts Centre. Middle: photographer Arnaud Maggs with violinist Marc Djokic. Bottom: writer Antonine Maillet.

Photos: Martin Lipman

50 artists who came to Ottawa March 27-28 to mark the 50th anniversary of the Canada Council for the Arts

Bottom Row (left to right):
Marc Djokic,
Mary Pratt,
Micheline Beauchemin,
Menaka Thakkar,
Anita Majumdar,
Antonine Maillet,
Judith Marcuse,
Marie-Josée Lord,
Nicole Brossard.

Second Row:
John Murrell,
John Estacio,
Alanis Obomsawin,

Simon Brault, Vice-Chair, Canada Council,

Karen Kain, Chair, Canada Council,

Robert Sirman, Director, Canada Council,

Walter Boudreau,
Yann Martel,
Yi-Jia Susanne Hou.

Third Row:
Andrew Dawes,
Howard J. Dyck,
Takao Tanabe,
Sara Diamond,
Françoise Sullivan,
Jean-Louis Roux,
Arnaud Maggs,
Albert Millaire,
Roch Carrier,
Dionne Brand,
John Snider.

Fourth Row:
Barry Doupe,
Tracee Smith,
Jean Grand-Maître,
Stéphane Lemelin,
Vera Frenkel,
Gary Clement,
Rudy Wiebe,
Guillaume Labrie.

Fifth Row:
Lucie Idlout,
Wendy Lill,
Zacharias Kunuk,
Jeffery Thomas,
George Bowring,
John Gray.

Back Row:
Kim Barlow.

Absent from photo:
Phyllis Lambert,
Edith Butler,
Martha Henry,
Mavis Staines,
John Alleyne,
Marie Chouinard,
Wanda Koop,
Michael Ondaatje,
Daniel Sears.

Anita Majumdar

Actor,
Canada Council grant recipient
Vancouver, BC

"The thing about my work is that I get to say things that make me angry, make me laugh, make me care, and I get to drop it on stage and see if other people feel the same way."

Photo: Martin Lipman

Financial Statements

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Canada Council for the Arts and all the information in this annual report are the responsibility of Management and have been approved by Council.

The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. The financial statements include amounts based on management's best estimates as determined through experience and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

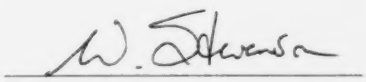
The Canada Council for the Arts maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the organization's assets are appropriately accounted for and adequately safeguarded.

The Members of Council are responsible for the management of the business and activities of the Canada Council for the Arts. In particular, they are responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. They exercise this responsibility through the Audit and Finance Committee, which is composed of Members who are not employees of the Canada Council for the Arts. The Audit and Finance Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis. The Committee reports its findings to Council for consideration when approving the financial statements.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Canada Council for the Arts, and for issuing her report thereon.

Robert Sirman
Director

May 25, 2007



William Stevenson, CA
Acting Chief Financial Officer

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Canada Council for the Arts
and the Minister of Canadian Heritage and Status of Women

I have audited the balance sheet of the Canada Council for the Arts as at March 31, 2007 and the statements of operations, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act*, the *Canada Council for the Arts Act* and the by-laws of the Council.

Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 25, 2007

Balance Sheet

as at March 31

(in thousands of dollars)	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	$ 29,547	$ 3,412
Accrued investment income	1,125	1,847
Accounts receivable	1,292	954
Prepaid expenses	226	217
Derivative related amounts (Note 4)	-	3
	32,190	6,433
Investments (Note 5)	318,140	298,040
Works of art and musical instruments (Note 7)	19,747	19,591
Other capital assets (Note 8)	3,729	4,324
Total Assets	**$ 373,806**	**$ 328,388**
LIABILITIES		
Current Liabilities		
Grants payable	$ 40,392	$ 20,327
Accounts payable and accrued liabilities	2,890	2,368
Deferred parliamentary appropriations	896	1,984
Derivative related amounts (Note 4)	-	42
	44,178	24,721
Deferred revenues	2,491	2,487
Employee future benefits (Note 9)	1,734	1,543
Deferred contributions (Note 10)	4,351	3,675
Total Liabilities	**52,754**	**32,426**
PRIVATE ENDOWMENTS (Note 11)	**78,043**	**71,539**
EQUITY		
Endowment - original contribution	50,000	50,000
Surplus related to the endowment	157,745	142,245
	207,745	192,245
Surplus - invested in works of art and musical instruments	19,747	19,591
Unrestricted surplus	15,517	12,587
Total Equity	**243,009**	**224,423**
Total Liabilities, Private Endowments and Equity	**$ 373,806**	**$ 328,388**

Commitments (Note 15)

(The accompanying notes and schedules form an integral part of the financial statements.)

On behalf of the Council:

Chair

Vice-Chair

Statement of Operations

For the year ended March 31

(in thousands of dollars)	2007	2006
REVENUE		
Net investment income (Note 12)	$ 25,902	$ 26,151
Net Art Bank revenue (Note 13)	300	805
Other	1,256	1,530
Total Revenue	**27,458**	**28,486**
EXPENSES		
Programs		
Grants (Schedule 1)	152,645	132,086
Administration (Schedule 2)	10,026	8,872
Services	4,699	4,571
	167,370	145,529
Canadian Commission for UNESCO (Note 13)	1,784	2,108
General administration (Schedule 2)	12,015	12,703
Total Expenses	**181,169**	**160,340**
Net cost of operations before parliamentary appropriation	153,711	131,854
Parliamentary appropriation	172,507	151,683
Surplus for the year	**$ 18,796**	**$ 19,829**

(The accompanying notes and schedules form an integral part of the financial statements.)

Statement of Changes in Equity

For the year ended March 31

(in thousands of dollars)	2007	2006
EQUITY		
Endowment - original contribution	$ 50,000	$ 50,000
Surplus related to the endowment		
Balance at beginning of the year	142,245	121,245
Appropriated from unrestricted surplus during the year	15,500	21,000
Balance at end of the year	157,745	142,245
Surplus - invested in works of art and musical instruments		
Balance at beginning of year	19,591	19,099
Net disposals during the year	(210)	(128)
Appropriated from unrestricted surplus during the year	366	620
Balance at end of the year	19,747	19,591
Unrestricted surplus		
Balance at beginning of the year	12,587	14,378
Surplus for the year	18,796	19,829
Appropriated to surplus related to the endowment during the year	(15,500)	(21,000)
Appropriated to surplus invested in works of art and musical instruments during the year	(366)	(620)
Balance at end of the year	15,517	12,587
Balance of equity at end of the year	**$ 243,009**	**$ 224,423**

(The accompanying notes and schedules form an integral part of the financial statements.)

Statement of Cash Flows

For the year ended March 31

(in thousands of dollars)	2007	2006
OPERATING ACTIVITIES		
Surplus for the year	$ 18,796	$ 19,829
Items not affecting cash and cash equivalents		
Distribution of income from foreign denominated investments	-	(5,666)
Donation of works of art	(70)	(598)
Deferred contributions transferred to private endowments	4,004	2,064
Amortization – other capital assets	839	930
Amortization – other capital assets – Art Bank	134	125
Employee future benefits	191	119
	23,894	16,803
Change in non-cash operating assets and liabilities (Note 14)	20,515	6,137
Cash provided by operating activities	**44,409**	**22,940**
FINANCING ACTIVITIES		
Endowment contributions received	**2,500**	-
INVESTING ACTIVITIES		
Purchases of investments	(166,602)	(98,595)
Sales/maturities of investments	146,502	80,236
Acquisition of other capital assets, works of art and musical instruments	(674)	(1,001)
Cash used for investing activities	**(20,774)**	**(19,360)**
Increase in cash and cash equivalents	26,135	3,580
Cash and cash equivalents at beginning of the year	3,412	(168)
Cash and cash equivalents at the end of the year	**$ 29,547**	**$ 3,412**

(The accompanying notes and schedules form an integral part of the financial statements.)

Notes to Financial Statements

1. Authority, Operations and Objectives

The Canada Council for the Arts, established by the *Canada Council Act* in 1957 and amended in 2001 by Bill C-40 to the *Canada Council for the Arts Act*, is not an agent of Her Majesty and is deemed to be a registered charity for the purposes of the *Income Tax Act*. In accordance with section 85(1) of the *Financial Administration Act*, the Canada Council is exempt from Divisions I to IV of Part X of this Act, except for sections 131 to 148 of Division III and section 154.01 of Division IV. The Canada Council for the Arts is a national organization whose objectives are to foster and promote the study and enjoyment of, and the production of works in, the arts.

The Council achieves its objectives primarily through grants programs to professional Canadian artists and arts organizations. The Council incurs administration and services expenses in the delivery of programs. Program administration expenses are detailed in Schedule 2 and represent the direct costs of program delivery. Program services expenses mainly represent the costs associated with the adjudication of the Council's grants. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

The *Canada Council for the Arts Act* assigns the Council with the functions and duties for the Canadian Commission for UNESCO. The Canadian Commission for UNESCO advises the Government of Canada on its relations with the United Nations Educational, Scientific and Cultural Organization (UNESCO). The Commission also fosters co-operation between Canadian organizations in civil society and UNESCO.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies of the Council are:

(a) Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires the Council to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Employee-related liabilities, accrued investment income and the estimated useful lives of capital assets are the most significant items where estimates are used. Actual results could differ from those estimated.

(b) Cash equivalents

Cash equivalents are carried at cost. Cash equivalents represent short-term highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents on the Council's balance sheet comprise units in a short-term pooled fund.

(c) Investments

The investments are recorded at cost and are written down to market value when the loss in value is considered to be other than a temporary decline. The investments may be sold in response to changes in the Council's liquidity requirements and to rebalance the asset mix to benchmarks stipulated in the Council's Investment Policy. Investments in equity denominated in foreign currencies are translated using the historical exchange rate at the time the transaction took place.

(d) Other capital assets, works of art and musical instruments

Equipment and leasehold improvements are carried at cost less the accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Office equipment: 5 years
Leasehold improvements: remaining term of the lease

Purchased works of art and musical instruments are capitalized at cost. Donated works of art and musical instruments are recorded at their appraised value. No amortization is recorded on these assets.

(e) Employee future benefits

i) Severance benefits
Employees are entitled to severance benefits, as provided for under conditions of employment and the collective agreement. The cost of these benefits is

accrued as the employees render the services necessary to earn them. The liability is calculated based on management's best estimates and assumptions, on the employee's salary and number of years of service as at March 31st. For employees who have attained the age of 50, with one year or more of continuous service, one week's salary is calculated for each completed year of continuous service up to a maximum of 28 weeks. For employees who have not attained the age of 50, with one or more years of service, one-half of one week's salary is calculated for each completed year of continuous service up to a maximum of 26 weeks. Term employees who have 12 consecutive months of continuous service are entitled to either two days pay for each completed year of continuous service or five days pay, whichever is greater. These benefits represent the only employment obligation of the Council that entails settlement by future payment.

ii) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Council's contribution to the plan reflects the full cost as employer. The amount is currently based on a multiple of the employee's required contributions, and may change over time depending on the experience of the Plan. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Council. The Council currently is not required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

(f) Surplus related to the endowment

In years when net investment income exceeds the amount of budgeted investment income, an amount may be transferred to the surplus related to the endowment from the unrestricted surplus. In years when net investment income is less than the amount of budgeted investment income, an amount may be transferred from the surplus related to the endowment to the unrestricted surplus. These transfers are approved by Council.

(g) Revenue recognition

(i) Investment income

Investment income is recorded on an accrual basis and includes realized gains and losses on disposal of investments, foreign currency gains and losses on matured currency forward contracts, dividends and interest earned on pooled funds and changes in the unrealized fair value of the unsettled derivatives. Gains and losses on investments are recorded when they are realized and the corresponding asset is removed from the balance sheet. Realized gains and losses represent the difference between sale proceeds and cost, less related costs of disposition.

(ii) Parliamentary appropriation

Parliamentary appropriation is recognized as revenue in the year for which it is approved by Parliament. Parliamentary appropriation intended for future years received from Parliament before the end of the year is recorded as deferred parliamentary appropriation. The parliamentary appropriation is mainly used for operations.

(iii) Contributions

The Council follows the deferred contribution method of accounting for contributions.

Unrestricted contributions are recognized as other revenue in the year received or in the year the funds are committed to the Council if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recorded as revenue in the year it is earned.

Externally restricted contributions and related investment income are recorded as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred.

Endowment contributions are recognized as direct increases to private endowments.

Contributions in-kind are recorded at their fair value when they are received.

(iv) Art Bank rental revenues

Revenues generated from the rental of works of art are recognized in the year in which services are provided. They are included in Net Art Bank revenue.

(v) Other revenues

Other revenues mainly consist of the cancellation in the current year of grants approved in previous years.

(h) Grants

Grants are recorded as an expense for the year in which they are approved by Council.

(i) Derivative financial instruments

The Council is exposed to foreign currency risk because it holds assets of global equities denominated in foreign currencies. The Council's investment strategy allows it to use derivative financial instruments ("derivatives") in the management of its foreign currency exposure.

The Council's investment policies and goals restrict the use of derivatives to currency forward and futures contracts to manage risk. The Council holds its derivatives until maturity and does not use them for speculative purposes.

The Council does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon acquisition, and removed from the balance sheet when they are settled. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as derivative related amounts as a component of total assets. Derivatives with a negative fair value are reported as derivative related amounts as a component of total liabilities. All changes in the fair value of derivatives are recognized on the statement of operations under net investment income in the period in which they occur.

(j) Operating leases

The Council enters into operating leases for its office accommodation. The lease inducements are recorded as a reduction to the office accommodation expense on a straight-line basis over the term of the lease.

(k) Future accounting changes

In January 2005 the Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; and Section 3865, *Hedges*. These pronouncements establish standards for the recognition and measurement of financial instruments. These new standards are effective for fiscal years beginning on or after October 1, 2006.

The Council has decided to adopt these standards for the fiscal year beginning April 1, 2007.

As a result of adopting these new requirements, the Council will classify each of its financial assets as either available-for-sale, held-for-trading, held-to-maturity or loans and receivables and apply the appropriate accounting methods for each. The Council will also have to present a new component in equity called other comprehensive income (OCI). The OCI will include unrealized gains and losses related to the change in fair value on financial assets that are classified as available-for-sale.

These new accounting standards will have an impact on the way that the Council accounts for its investments. The Council has elected to classify all of its investments as available-for-sale. They will have to be measured at their fair value. Unrealized gains and losses will be presented in OCI. When the Council sells or disposes some of its investments, the realized gains or losses will be recorded in the statement of operations under net investment income and offset against OCI.

The impact of measuring the investments at fair value on April 1, 2007 will be recognized in opening unrestricted surplus. Results for the prior periods will not be restated.

The Council intends to apply hedge accounting. The new standard, as per Section 3865, establishes when and how hedge accounting can be applied. Derivatives will be classified as held-for-trading. The Council intends to classify its hedging relationships as foreign currency fair value hedges. For fair value hedges, the change in the fair value of hedging derivatives will be offset in the Council's statement of operations against change in the fair value of the hedged item.

3. Cash and Cash Equivalents

The objective of the Council with respect to the management of liquidity is to ensure that the capital value of the funds is preserved, that the investments are liquid and that interest income is maximized given the quality and liquidity constraints of the investment policy. The permitted and prohibited investments are governed by a Council-approved short-term funds Investment Policy.

The Council invests temporary surplus cash in a short-term pooled fund managed by Legg Mason Canada. All instruments held in the pooled fund are rated R1 (low) or A (low) or better by a recognized bond rating agency. This fund is comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for all levels of government guaranteed instruments, no more than 10% of the short-term portfolio is invested with any one issuer. For the year ended March 31, 2007 the overall portfolio return was 4.24% (2006 – 2.92%) and as at March 31, 2007 the average weighted term to maturity is 72 days (2006 – 50 days).

The net book value of cash equivalents as at March 31, 2007 and March 31, 2006 approximated the market value.

4. Derivative Financial Instruments

Derivative use has been limited to currency forward contracts. The Council currently uses foreign currency forward contracts that represent commitments to purchase or sell foreign currencies for delivery at a specific date in the future at a fixed rate to manage its foreign currency exchange risk. These contracts are typically for a three month period.

In any transaction there is a potential for loss. This loss potential is represented by credit risk, wherein the counterparty fails to perform an obligation as agreed upon, causing the other party to incur a financial loss, and market risk, where an exposure exists as a result of changes in foreign exchange rates or interest rates.

The Council manages its exposure to credit risk by contracting only with creditworthy counterparties. During the year, the Council entered into foreign currency forward contracts to manage its exposure to foreign currency exchange risk on the non Canadian dollar denominated equity funds managed by Barclays Global Investors. The Council manages its exposure to market risk using limits set out in the Council's Investment Policy.

Although foreign currency forward contracts are measured in terms of their notional amounts, these amounts are not recorded on the balance sheet as the notional amounts serve as points of reference for calculating payments and are not the actual amounts that are exchanged. At March 31, 2007, the Council did not hold any foreign currency forward contracts (2006 - $57 million).

In accordance with Emerging Issues Committee Abstract 128, the Council recognizes and measures its foreign currency forward contracts at fair value, with changes in fair value being recognized in income. At March 31, 2007 there are no outstanding foreign exchange forward contracts (2006 – a net liability of $39,000). A positive fair value is recorded on the balance sheet under derivative related amounts as a component of assets and a negative fair value under derivative related amounts as a component of liabilities and a net unrealized gain or loss on the statement of operations in net investment income.

Net investment income includes a foreign exchange loss of $0.4 million (2006 – gain of $7.5 million) on matured foreign currency forward contracts. Accrued investment income does not include any foreign currency forward transactions as there were none outstanding on March 31, 2007 (2006 – $0.5 million maturing on March 31, settling on April 6, 2006).

5. Investments

(in thousands of dollars)	2007 Cost	2007 %	2007 Market Value	2006 Cost	2006 %	2006 Market Value
Canada Council Endowment and Special Funds						
Pooled funds						
Equity	$ 156,175	62.1	$ 180,930	$ 175,513	74.6	$ 186,986
Fixed income	54,951	21.9	52,507	43,818	18.6	44,573
Alternatives	26,622	10.6	28,267	5,929	2.5	6,123
Income Trusts	11,364	4.5	9,728	8,609	3.7	10,878
Real Estate	2,312	0.9	2,502	1,536	0.6	1,532
	251,424	100.0	273,934	235,405	100.0	250,092
Killam Funds						
Pooled Funds						
Equity	41,648	62.4	46,005	46,391	74.1	47,498
Fixed income	14,121	21.2	13,475	11,598	18.5	11,786
Alternatives	6,831	10.2	7,253	1,573	2.5	1,625
Income Trusts	3,536	5.3	3,027	2,689	4.3	3,383
Real Estate	580	0.9	628	384	0.6	383
	66,716	100.0	70,388	62,635	100.0	64,675
Total investments	**$ 318,140**		**$ 344,322**	**$ 298,040**		**$ 314,767**

The long-term objectives of the Canada Council Endowment and Special Funds and the Killam Funds are to generate long-term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital.

The Council invests in units of equity, fixed income, income trusts and alternative pooled funds and in units of two real estate funds. The permitted and prohibited investments as well as the asset mix are governed by a Council-approved Investment Policy. All of the investments are managed by professional investment managers.

The Council manages its portfolio to the following benchmarks adopted by Council Members in October 2006. As a result, asset class allocations can vary between a minimum and a maximum.

Asset Classes	Actual Market Value	Minimum	Benchmark	Maximum
Equities	65.9 %	50 %	62 %	70 %
Fixed income	19.2 %	10 %	20 %	40 %
Alternatives	10.3 %	5 %	10 %	15 %
Income Trusts	3.7 %	0 %	4 %	6 %
Real Estate	0.9 %	0 %	4 %	6 %

As at March 31, 2007, the Council is making progress towards meeting these benchmarks. Departures from these benchmarks represent assets in transition from one asset class to another.

Investments in the equity pooled funds are comprised of units of two pooled funds. These funds are invested in the global equity markets. Investments in the fixed income pooled fund are comprised of Canadian Government and corporate bonds with a minimum credit quality of BBB rated by a recognized bond rating agency. Investments in the alternative pooled funds are comprised of units of two hedge funds with diversified positions across global asset classes. The investment in income trusts is comprised of units in a Canadian pooled income trust fund. The assets included in real estate are commercial real estate properties valued between $2 and $15 million each.

Funds	2007 Annualized Return	2006 Annualized Return
Equities		
Templeton Master Trust – Series 2	22.5 %	14.1 %
Alliance Bernstein Global Strategic Value (2 months to March 31, 2007)	-1.1 %	-
Barclays Indexed Equity (10 months to January 31, 2007)	11.2 %	23.1 %
Fixed income		
Barclays Universe Bond Index (8 months to November 30, 2006)	5.4 %	4.8 %
State Street Canadian Fixed Income (4 months to March 31, 2007)	0.1 %	-
Alternatives		
Barclays Global Ascent Fund (6 months to September 30, 2006)	-6.7 %	35.8 %
Blackstone Offshore Sterling Fund (5 months to March 31, 2007)	4.9 %	-
Lighthouse Diversified Fund (5 months to March 31, 2007)	5.6 %	-
Income Trusts - Acuity	-10.5 %	36.0 %

The Equity pooled funds are managed by two managers. Franklin Templeton Investments manage the global Templeton Master Trust – Series 2, an actively managed portfolio of global equities. Alliance Bernstein actively manage the global Sanford C. Bernstein Global Strategic Value Fund. The global equities are measured against the returns of the Morgan Stanley Capital International World Index. The fixed income pooled fund is managed by State Street Global Advisors and is comprised of the SSgA Canadian Fixed Income Index Fund. The fixed income fund is intended to replicate the returns of the Scotia Capital Universe Bond Index. The alternative pooled funds are two hedge funds comprised of the Blackstone Partners Offshore Sterling Fund Ltd. and the Lighthouse Diversified Fund Limited. These investments are measured against the returns of the Scotia Capital 91-day T-bill plus 20%. The income trust pooled fund is managed by Acuity Investment Management and is comprised of the Acuity Pooled Income Trust Fund. These investments are measured against the returns of the Scotia Capital Income Trust Index. The investments in real estate are managed by Greiner-Pacaud Management Associates (GPM) and Bentall Investment Management. These investments will be made over a period of one to two years as investment opportunities arise. The real estate investments with GPM are still in acquisition phase and the investment rate of return since inception in November 2004 is 10.2% and is not indicative of expected performance. The Bentall Fund closed in November 2006 and no investments have been made as at March 31, 2007.

The market value is based on the market price calculated by the investment managers as at March 31.

6. Foreign Currency Balances

The Council's investments are invested globally; consequently they are exposed to foreign exchange fluctuations. As at March 31, 2007 the Council had the following currency exposure:

Currency	Market Value	%
(in thousands of dollars)		
Canada Council Endowment and Special Funds		
Canadian dollar	$ 85,778	31.3 %
British pound	51,283	18.7 %
US dollar	49,287	18.0 %
Euro	39,411	14.4 %
Australian dollar	10,875	4.0 %
Japanese yen	9,108	3.3 %
South Korean won	6,780	2.5 %
Taiwan dollar	3,718	1.4 %
Chinese renminbi	3,508	1.3 %
New Zealand dollar	3,503	1.3 %
Others	10,683	3.8 %
	$ 273,934	**100.0 %**
Killam Funds		
Canadian dollar	$ 22,621	32.1 %
British pound	13,274	18.9 %
US dollar	12,244	17.4 %
Euro	9,847	14.0 %
Australian dollar	2,932	4.2 %
Japanese yen	2,284	3.2 %
South Korean won	1,726	2.5 %
Taiwan dollar	969	1.4 %
New Zealand dollar	952	1.4 %
Chinese renminbi	892	1.3 %
Others	2,647	3.6 %
	$ 70,388	**100.0 %**

7. Works of Art and Musical Instruments

(in thousands of dollars)	2007	2006
Works of Art	$ 18,199	$ 18,043
Musical Instruments	1,548	1,548
	$ 19,747	$ 19,591

The Council's Art Bank has the largest number of contemporary Canadian works of art in Canada. It includes about 17,500 paintings, sculptures, drawings, photographs and prints by over 2,980 artists. The Art Bank rents art works to interested parties and presently has about 6,500 (2006 - 6,500) works on rental to federal government departments and agencies, associations, hospitals, schools, municipalities and private corporations.

The Council created the Musical Instrument Bank in 1985 and it presently owns a fine cello bow and five quality musical

instruments. In addition, the Council manages eight instruments on loan from two individuals until August 2009.

8. Other Capital Assets

(in thousands of dollars)	Cost	2007 Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Office equipment	$ 6,119	$ 5,236	$ 883	$ 1,013
Leasehold improvements	4,989	2,143	2,846	3,311
	$ 11,108	$ 7,379	$ 3,729	$ 4,324

9. Employee Future Benefits

i) Severance benefits

The Council provides severance benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations or other sources of revenue. Information about the plan, measured as at March 31, is as follows:

(in thousands of dollars)	2007	2006
Accrued benefit obligation, beginning of year	$ 1,543	$ 1,424
Cost for the year	236	236
Benefits paid during the year	(45)	(117)
Accrued benefit obligation, end of year	**$ 1,734**	**$ 1,543**

ii) Pension benefits

The Council and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Council's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands of dollars)	2007	2006
Employer's contributions	$ 1,669	$ 1,384
Employees' contributions	720	616

10. Deferred Contributions

Deferred contributions represent unspent externally restricted net income on endowments and contributions received by way of bequest and donations that have been restricted for specific purposes established by the donors. In addition, deferred contributions include other sources of revenue that have been restricted for specific purposes. The funds of the endowments are included with the Council's investment portfolio and a proportionate share for each endowment is calculated based upon the market value of the investment portfolio at the time the endowment was received. The additions include net investment income or loss (interest, dividends, net realized capital gains or losses and net realized and unrealized gains or losses on foreign currency) calculated annually as the proportionate share of each endowment plus any other sources of revenue. Use of funds is equal to the grants and administration expenses incurred in order to meet the specific purpose for each endowment.

(in thousands of dollars)	2007	2006
Balance, beginning of year	$ 3,675	$ 992
Net investment income	7,921	7,889
Use of funds	(3,241)	(3,142)
Transferred to private endowments (Note 11)	(4,004)	(2 064)
Balance at end of year	**$ 4,351**	**$ 3,675**

11. Private Endowments

Private endowments consist of restricted donations received by the Council. The endowment principal of $36,335,685 is required to be maintained intact. Also, the Council may transfer a portion of the income earned on these donations to the endowment principal once the operational needs of the Council have been met. If the operational needs of the Council exceed the income earned, then a transfer from endowment principal to operations of all or a portion of the excess will be made.

(in thousands of dollars)	2007	2006
Balance, beginning of year	$ 71,539	$ 69,475
Donations received during the year – The Samuel and Saidye Bronfman Family Foundation	2,500	-
Deferred contributions transferred to private endowments (Note 10)	4,004	2,064
Balance at end of year	**$78,043**	**$71,539**

12. Net Investment Income

(in thousands of dollars)	2007	2006
Net gains on disposal of investments	$ 24,090	$ 18,657
Net (losses) gains on foreign currency	(2,651)	3,238
Dividends	6,326	7,088
Interest	4,907	3,785
Transfer to deferred contributions and private endowments	(4,652)	(4,715)
Investment portfolio management costs	(2,118)	(1,902)
	$25,902	**$26,151**

The financial markets in which the Council invests are quite diversified and investment income can fluctuate year over year. In years where investment income exceeds expectations, the Council reinvests excess returns in order to maintain the purchasing power of the fund and to ensure its continued growth. This approach brings stability and long term growth so that in years where returns are not as favourable, previous years' returns represented by surplus related to the Endowment, a component of Equity, can be utilized.

13. Net Art Bank Revenue and Canadian Commission for UNESCO

(in thousands of dollars)	2007	2006
Net Art Bank Revenue		
Rental revenue	$ 1,884	$ 1,837
Donation of works of art	70	598
Other income	230	202
Administration	(1,750)	(1,707)
Amortization	(134)	(125)
Total	**$ 300**	**$ 805**

(in thousands of dollars)	2007	2006
Canadian Commission for UNESCO		
Program expenses	$ 572	$ 1,049
Program – contributions received	(19)	(275)
Administration	1,231	1,334
Total	**$ 1,784**	**$ 2,108**

Program expenses mainly represent the costs associated with the Commission's activities at international meetings related to education, science and culture. These costs are offset by contributions received from other organizations partnering with the Commission on these activities. Administration expenses represent the direct costs of delivering the Commission's programs.

14. Change in Non-cash Operating Assets and Liabilities

(in thousands of dollars)	2007	2006
Decrease in accrued investment income	$ 722	$ 2,070
(Increase) decrease in accounts receivable	(338)	3,839
Decrease in derivative related amounts - assets	3	552
Increase in prepaid expenses	(9)	(6)
Increase (decrease) in grants payable	20,065	(997)
Increase (decrease) in accounts payable and accrued liabilities	522	(149)
Increase (decrease) in deferred revenues	4	(66)
Decrease in deferred parliamentary appropriations	(1,088)	(1,305)
Decrease in derivative related amounts - liabilities	(42)	(484)
Increase in deferred contributions	676	2,683
Net cash provided by non-cash operating assets and liabilities	**$20,515**	**$ 6,137**

15. Commitments

(i) Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants approved prior to March 31, 2007 are payable as follows:

(in thousands of dollars)	
2008	$ 80,346
2009	7,916
2010	49

(ii) The Council is party to long-term operating leases with respect to rental accommodation. The net minimum annual rental is as follows:

(in thousands of dollars)	
2008	$ 3,729
2009	3,908
2010	3,947
2011	3,796
2012	3,796
2013 –2014	6,011
Total	**$25,187**

16. Related Party Transactions

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Council enters into transactions with related parties in the normal course of business and on normal trade terms applicable to all individuals and enterprises. During the year, the Council incurred grant expenses totaling $376,000 (2006 - $79,000) and recorded rental revenues of works of art, contributions and other revenues totaling $1,896,000 (2006 - $2,631,000) with related parties.

As at March 31, the Council recorded the following amounts on the balance sheet for transactions with related parties:

(in thousands of dollars)	2007	2006
Accounts receivable	$ 735	$ 638
Grants payable	209	81
Accounts payable and accrued liabilities	18	7
Deferred revenues	798	737

The Council is not exposed to significant interest or credit risk related to its accounts receivable.

17. Fair Value of Financial Instruments

The Council's financial instruments consist of cash and cash equivalents, accrued investment income, accounts receivable, derivative related amounts, investments, grants payable and accounts payable and accrued liabilities which are incurred in the normal course of business. The carrying amounts of these financial instruments, excluding the investments and derivative related amounts, approximate their fair value because of their short-term maturity.

The fair values of the investments are estimated market prices calculated by the investment managers. The market value is listed in note 5.

Fair value estimates for the derivative financial instruments are calculated using the current market spot and the forward exchange rates at year end. The fair value is listed in note 4.

18. Comparative Figures

Certain 2006 figures have been reclassified to conform to the presentation adopted in 2007.

Schedule of Grant Expenses by Section (Schedule 1)

For the year ended March 31

(in thousands of dollars)	2007	2006
Arts Programs		
Music	$ 26,912	$ 26,322
Theatre	23,620	22,086
Writing and Publishing	21,988	20,097
Visual Arts	18,698	17,124
Dance	15,726	14,992
Media Arts	13,260	11,826
Public Lending Right Commission	9,121	9,042
Inter-Arts	2,192	1,446
Equity	1,788	2,102
Aboriginal Arts Secretariat	1,282	1,254
Audience and Market Development	1,129	981
Other	1,215	2,219
Supplementary Operating Funds Initiative	13,000	-
Killam Program		
Killam Research Fellowships	1,481	1,551
Killam Prizes	500	500
Other Prizes and Awards		
Victor Martyn Lynch-Staunton Awards	105	105
Japan-Canada Fund	101	72
Molson Prizes	100	100
Commission internationale du théâtre francophone	80	73
Vida Peene Award	77	-
John G. Diefenbaker Award	75	75
Jean A. Chalmers Award	50	-
Other prizes and awards < $50,000	145	119
	$ 152,645	$ 132,086

Schedule of Administration Expenses (Schedule 2)

For the year ended March 31

(in thousands of dollars)	2007			2006
	Programs	General Administration	Total	Total
Salaries	$ 6,807	$ 4,814	$ 11,621	$ 10,714
Employee benefits	1,737	1,410	3,147	2,765
Office accommodation	33	2,589	2,622	3,197
Professional and special services	528	659	1,187	1,271
Staff travel	587	304	891	890
Amortization	-	839	839	930
Printing, publications and duplicating	46	547	593	538
Communications	192	259	451	379
Meeting expenses including members' honoraria	85	172	257	339
Office expenses and equipment	3	231	234	275
Information management	-	180	180	234
Miscellaneous	8	11	19	43
	$ 10,026	$ 12,015	$ 22,041	$ 21,575

The Canada Council index on the arts

$23,500

average income of an artist (2001 census data)

600,000 people

employed in the arts and culture sector (Statistics Canada 2001)

$43 billion

impact of arts and culture on the Canadian economy (Statistics Canada 2003)

658

communities in which artists and arts organizations were funded by the Canada Council (2006-07)

29%

increase in the number of artists 1991-2001 (2001 census data)

4.4%

Canada Council's share of federal cultural spending (2003-04)

0.08%

Canada Council budget as percentage of total federal government spending (2006-07)

$5.29

annual cost of the Canada Council per Canadian (2006-07)

$152.6 million

total Canada Council investment in the arts (2006-07)

82%

percentage of Canadians who attended an arts or cultural event in 2003 (2004 Decima survey)

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employed in the arts and culture sector (Statistics Canada 2001)
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The 50th
A Concert for Canadians

The Musical Instrument Bank is a jewel in the crown of the Canada Council's programs. Every three years, exceptional young musicians from across the country compete for the use of magnificent historical instruments crafted by such renowned luthiers as Stradivari and Guarneri (total insured value $22.5 million). In the September 2006 Instrument Bank competition, eleven superb violins and cellos and a cello bow were presented to twelve talented young winners for a three-year period. (The Council owns six instruments, all acquired by donation, and manages eight on behalf of two other generous individuals.)

In celebration of the Canada Council's 50th anniversary, the Council, the National Arts Centre Orchestra and CBC/Radio Canada organized a concert, called *Stradissimo!*, in May 2007 featuring the twelve winners, cellist Denis Brott (a founder of the Bank previously awarded the use of the 1706 Turner-Brott Tecchler cello for the duration of his career) and conductor Alain Trudel. The free public concert, featuring works by Paganini, Brahms, Bach, Estacio, Dompierre and Handel, was recorded for broadcast on CBC Radio One and Radio 2 and Radio-Canada's Espace musique.

The 2006 winners of the Canada Council's Musical Instrument Bank competition.

Front row: (from left to right)
Rachel Mercer, Soo Bae,
Emmanuelle Beaulieu Bergeron
Back row: Marc Djokic, Pascale Giguère,
Kerry DuWors, Yi-Jia Susanne Hou,
Caroline Chehade, Veronique Mathieu,
Judy Kang, Jessica Linnebach,
Jean-Sébastien Roy.

Cellist Soo Bae playing the $ 5.8 million ca. 1696 Bonjour Stradivari cello.

Photo: Fred Cattroll

Emma Hache

Playwright,
Governor General's Literary Award winner
Montreal, QC and Lamèque, NB

"My experience with acting, body movement, puppetry and dance has enriched my approach to theatre in incredible ways."

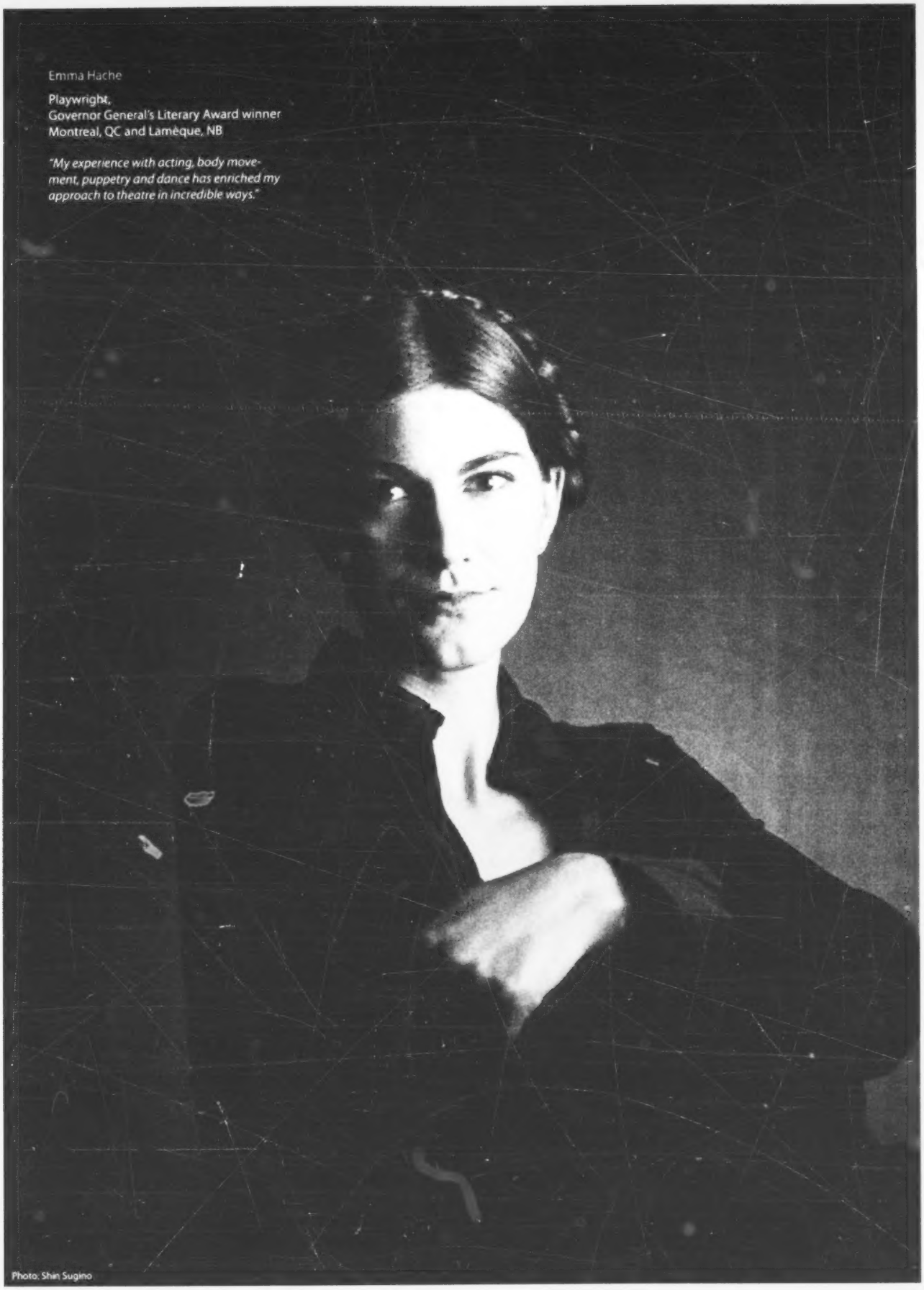


Photo: Shin Sugino

Governance

Board Mandate

The Canada Council is governed by a Board consisting of a Chair, Vice-Chair and nine other members from across Canada. Members are appointed by the Governor in Council (on the recommendation of the federal Cabinet) for fixed terms. The Board meets at least three times a year and is responsible for the organization's policies, programs, budgets and grant decisions.

Corporate governance is the process and structure used to direct and manage the business of an organization with the objective of fulfilling the organization's mandate. Though all the staff and Board members of an organization have a responsibility to adhere to and carry out the governance policy, the principal responsibility for implementing the policy and ensuring compliance with it rests with the organization's Board and Executive Management.

As stewards of the organization, members of the Board are responsible for maintaining active oversight of the organization's governance. The Board must oversee the conduct of the Council's business, direct Management and endeavour to ensure that all major issues affecting the Council are given proper consideration.

The duties of Board members include:

- attending Board meetings in Ottawa or elsewhere;
- voting, except where they are in a conflict of interest;
- establishing the overall policies and approving the programs of the Council;
- approving the allocation of the budget between various disciplines, purposes and programs;
- monitoring the effectiveness of the programs and the integrity of the peer assessment system;
- authorizing the awarding of grants, either directly or through delegated authority;
- reflecting regional concerns in discussions within a national perspective;
- bringing to bear an area of expertise, usually in some aspect of the arts, of business or of community activity, while maintaining awareness of and respect for the expertise of others;
- explaining the Council's role in supporting the arts to the arts community, to national, provincial and local leaders, and to the general public;
- serving on standing or special Council committees;
- representing the Council at public events or other activities, as required; and
- performing other duties which the Chair may assign.

Board Independence

All members of the Board are independent directors, appointed by the Governor in Council. This independence is fundamental to sound governance and effective accountability. While the Director and Executive Management attend Board meetings to provide information and report on activities, only members may vote and make decisions. Board committees are also composed of Board members, with some committees expanded to include external experts selected for their knowledge and expertise.

The Board ensures that it has sufficient expertise to carry out its duties and bring a balanced judgement to the assessment of Management and the merit of Management proposals.

At each meeting of the full Board, an *in camera* meeting is scheduled between the Board and the Director. The discussion focuses on issues that the Chair and the Director judge do not require representations from other members of Management.

At each meeting of the full Board, the Board also schedules an *in camera* meeting with its members only. The agenda is determined by the Chair and includes discussion of issues that the Board wishes to discuss privately.

Strategic and Corporate Planning

The Board is responsible for establishing the overall policies of the Council and formulating its strategic directions, develop-

ing and approving the Corporate Plan and assessing the plan's implementation.

The Corporate Plan encompasses the Council's business and activities and establishes the organization's priorities, objectives, strategies, performance indicators and desired impact. It commits the Council to a planned strategic direction over a specific planning period.

The Corporate Plan is the outcome of a process in which the key objectives, priorities, strategies and environmental assessment for the present and longer term are collectively analyzed against the mandate of the organization. The plan ensures that everyone in the undertaking is aware of the priorities, strategic direction and objectives of the organization. It is a tool which guides the actions of the Board, Management and staff in a forward-looking, cohesive effort to pursue the mandate of the Council. It is also an effective means for communicating the objectives of the Council to the public and to stakeholders in a coherent and transparent fashion.

The Council's Corporate Plan results from an in-depth analysis of the organization and its environment by the Executive Management, Section Heads and Board. Management, in consultation with the Board and key stakeholders, formulates the strategic direction and drafts the Corporate Plan. The Board is responsible for assessing and approving it.

In strategic planning, the role of Board members is that of leadership. Board members bring their individual expertise and specialized knowledge to the formulation of Council policy and assist Management in developing the Corporate Plan.

The Board's role in strategic planning is to:

- provide direction and counsel to Management in the strategic planning process;
- approve the strategic direction and the Corporate Plan for the Council;
- periodically challenge the assumptions, identified alternatives and assessments in the Corporate Plan; and
- monitor Management's success in implementing the approved priorities of the Council.

In establishing the strategic direction, the Board must be satisfied that Management has considered all the relevant factors that will influence the future direction of the organization. Once approved, the Corporate Plan provides a basis for evaluating the performance of the organization.

Management reports annually to the Board on how the Council is performing in relation to the objectives set out in the Corporate Plan and on the actual results achieved in the previous year. This regular monitoring of corporate performance assists the Board in its decision-making.

The Council's current Corporate Plan was approved by the Board for the period 2005-06 to 2007-08. In early 2007, a formal strategic planning exercise was launched in order to set future directions and establish clear goals and objectives for the next Corporate Plan (2008-09 to 2010-11).

Risk Management

The Board must maintain a thorough understanding of the principal risks inherent in the Council's activities and its external environment. It ensures that the principal risks of the Council's business have been identified and that appropriate systems to monitor and manage these risks have been implemented. The process generally adopted for this involves briefings from management, as well as reports from Council's internal and external auditors.

In addition, the Council is responsible for two investment funds including the Endowment and Special Funds and the Killam Funds. The long-term objectives of the funds are to generate long-term real returns for the Endowment to supplement the parliamentary appropriation and to support fellowships and prizes for the Killam and Special Funds, while maintaining the purchasing power of residual capital. In order to establish the parameters under which these funds will be managed, the Board has adopted a "Statement of Investment Policies and Goals." This Investment Policy is the tool used by Council's Investment Committee, investment managers and advisors to manage the portfolios, as well as by the Board to assess their performance.

Governance Policy

The Council's Governance Policy, adopted in 2001, is a key tool for efficiency, effectiveness and accountability. The objectives of the policy are to:

- define Board and Management roles and responsibilities in the process of good governance;
- provide a mechanism by which the highest standards of accountability can be realized;
- establish an information reporting framework that is diligent, effective and efficient, one that provides sufficient information for decision-making without overburdening Management and the Board;
- delineate the key factors which must be managed in order to generate meaningful performance information;
- maintain an accountability regime that is consistent and coherent, and that forms a systematic and comprehensive whole across the organization;
- facilitate strategic decision-making for Board and Management;
- consolidate organizational policies pertaining to governance in one policy framework for the benefit of the Board, staff and external stakeholders;
- incorporate new principles and practices of good governance as these are developed and recommended in the governance field; and
- heighten Board, staff and external stakeholder confidence in the stewardship of the Board, the professionalism of Management and the integrity of the peer assessment process as these serve to fulfil the Council's mandate.

Along with providing the corporate governance framework, the Council's Governance Policy includes the following information and documents: the *Canada Council for the Arts Act*, the By-Laws of the Canada Council, Annual Statutory Reporting Requirements, Peer Assessment Policy, Statement of Investment Policies and Goals, Code of Ethics for Council Board Members, Delegation of Authority, and Job Descriptions for the Board Chair, Vice-Chair and Director. The complete Governance Policy is posted on the Council's web site at *www.canadacouncil.ca/aboutus/organization*.

Culture of Ethical Business Conduct

The public trust rests on a belief and confidence that those in public office will conduct themselves in an ethical manner. In every circumstance, members of the Board of the Council are bound by a duty to act in the best interests of the Council, a principle founded on the conviction that decisions taken in the best interests of the Council will also uphold the best interests of the Council's stakeholders.

Members of the Board must be scrupulous in distinguishing between the overall interests of the Council and the interests of particular stakeholders. Board members must avoid the promotion of any personal interests or interests of any particular stakeholder or stakeholder group.

Board members, as public office holders, are bound by the federal government's upcoming *Conflict of Interest Act*. They are also bound by the Code of Ethics for Council Board Members, which is part of the Canada Council's Governance Policy.

Board Renewal and Appointments

The Board advises the government on appropriate selection criteria for chairs of the organization, as well as competency profiles and future needs for directors.

To assist in defining the Council's needs and bringing them to the attention of government officials, the Nominating Committee of the Board maintains a "skill and expertise profile" based on its knowledge of the Council's mandate, strategies, strengths and weaknesses, and the key issues and challenges facing the organization. Along with experience in the arts and expertise in areas such as finance and governance, it is also a priority to recommend candidates who represent Canada's official languages, regions, generations, Aboriginal Peoples and cultural diversity. The ideal situation is where these two elements – expertise and representativeness – coalesce within the Board as a whole.

The Board member profile, which is continually updated, and suggestions of potential candidates who meet the profile are provided to the Minister of Canadian Heritage as vacancies occur.

In September 2006, Susan Knight, from Newfoundland and Labrador, was appointed by the Governor in Council for a

three-year term. At March 31, 2007, there were two Board vacancies.

Succession Planning and Senior Appointments

One of the major responsibilities of the Board is to review the succession planning for the position of Director of the Council, as well as for other key senior executives. The Board reviews the succession plans for these positions, with the assistance of the Executive Committee.

New Director Appointed

The Board's extensive work on succession planning came to fruition in 2006 with the appointment by the Governor in Council of the Canada Council's new Director, Robert Sirman. After his appearance before the House of Commons Standing Committee on Canadian Heritage on May 30, 2006, Mr. Sirman was appointed on June 26, 2006, for a four-year term.

Process for Senior Appointments

Guided by standard staffing principles and practices, a recruitment and selection process is in place for all senior management positions. Positions are filled either by the Human Resources Section or by an executive search firm. Job profiles are regularly reviewed and updated; vacancies are advertised nationally as well as on the Canada Council's web site for a minimum of one month; hiring and selection committees include experts as well as those representing Canada's cultural diversity. Prior to making an offer, the Canada Council carefully verifies references. This process ensures that the best possible candidates are recruited to allow the Council to carry out its mandate.

Director's Responsibilities and Assessment

The Director is the organization's chief executive officer. The Director carries out the policies and directives of the Council Board, reports to the Board, attends meetings of the Council and Board Committees, and represents the Council personally or through a delegate in its relations with departments and agencies of the government and other organizations on matters of interest to the Council. The Director keeps the Board updated on important factors affecting the realization of the Council's strategic objectives. The Director is accountable to the Board.

The Director also:

- provides leadership in fulfilling the Council's mandate, vision, strategic choices, and organizational and procedural controls;
- is in charge of the day-to-day management of the Council's activities and operations and ensures respect for and implementation of the Corporate Plan and the strategic framework and policies approved by the Board;
- is responsible for optimum resource allocation and supervises members of Executive Management; and
- maintains a high level of professionalism and ethics and develops a climate conducive to professionalism and excellence at the Council.

Reporting on Performance Appraisal and the Achievement of Corporate Objectives

The Board has the responsibility to:

- identify the skills and characteristics it judges essential for the position of Director;
- review periodically and revise the job description for the Director;
- develop and review on an annual basis a set of corporate objectives consistent with the Corporate Plan that the Director is accountable for achieving and that incorporate the perspectives of both the Board and the Director; and
- monitor the Director's performance on an annual basis.

The Council's Chair, on behalf of the Board, communicates the results of the Director's annual performance appraisal to the Minister of Canadian Heritage.

Communications with the Minister of Canadian Heritage, Parliamentarians and Other Stakeholders

The Board has the responsibility to ensure that the Canada Council communicates effectively with the Department of Canadian Heritage, as the Council is accountable to Parliament through its Minister. It is also important for the Council, as a federal Crown corporation, to communicate with parliamentarians and other key stakeholders – public, government, arts community.

Among the tools for communicating with the Minister, parliamentarians and other stakeholders are the Council's Annual Report and its Corporate Plan. The Board ensures that the Council's annual reports adequately communicate the complex nature of the Council's work as well as important issues confronting the organization.

Sensitive or controversial issues likely to have a particular impact within a given region or artistic discipline are brought to the prompt attention of the Board, as are any substantive communications between Management and the arts community, the public or government.

Board Orientation and Continuing Education

An essential element of effective governance is ensuring that the Board has timely access to the information it needs to carry out its duties. The Chair and Vice-Chair set the agenda for Board and committee meetings, with input from all Board members. The Board receives a comprehensive package of information prior to each Board and committee meeting. The Board also receives timely reports on the work of Board committees.

New Board members are provided with an orientation package; they are also given the opportunity to attend all committee meetings at the time of their first Board meeting. The information package describes the role of the Board, its committees and members, relevant policies and information relating to the Council and its management. New Board members also meet with the Council's Executive Management team to discuss key functions and activities. The goal is to ensure that new members fully understand the nature and mandate of the Council, the role and responsibilities of the Board and its committees, and the contribution that individual Board members are expected to make, including the commitment of time and energy. The orientation also includes information on the fiduciary role of the Board and the ethical and professional standards required.

In March 2007, new Board member Susan Knight attended a two-day orientation session on governance in Crown corporations. The Council also ensures that the Board regularly receives up-to-date information about governance practices and current trends.

Board Performance Evaluation

The Canada Council's Governance Policy requires that the Board of the Council establish a mechanism for assessing its capacity and evaluating its performance and that the Governance Committee take responsibility for assessing:

- the effectiveness of the Board as a whole;
- the effectiveness of Board Committees; and
- the contributions of individual members.

The Governance Policy also requires that the process must:

- ensure candour, confidentiality and trust;
- be disclosed to stakeholders (process only);
- clearly delineate Board and Management responsibilities; and
- promote effective interaction between and among members.

In June of every year, the Board of Directors undertakes an evaluation of the performance of the full Board and Board committees. A report on the evaluation, including recommendations for improvements, was presented to the full Board *in camera* by the Chair of the Governance Committee at the October 2006 meeting. The Chair of the Council is responsible for ensuring that these recommendations are implemented by the Board and Management.

In November 2006, the Chair of the Council wrote to the Minister of Canadian Heritage about the annual evaluation process undertaken by the Board. In her letter, the Chair noted the following:

"As a federal Crown corporation responsible for the development of the arts across the country, a main concern and priority for the Board of the Canada Council for the Arts is to ensure that the organization operates in a fully accountable, responsible, transparent and effective way.

"One of the principal ways of achieving this, in terms of current governance practices, is through an evaluation of Board performance. This is especially important in light of our ongoing work regarding funding for the arts and the additional $50 million from the federal government. Demonstrating due diligence, impacts and results of this investment are critical elements of our ongoing discussions and deliberations, and resonate strongly when evaluating our effectiveness as a Board."

Board Committee Mandates and Membership

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of particular concern. The committees of the Board, their membership and terms of reference are established through formal Board resolutions.

The Board approves the membership of all standing committees as well as Council representation on the Executive Committee of the Canadian Commission for UNESCO and on the Public Lending Right Commission. The use of a committee does not absolve the Board from responsibility for the committee's work or decisions.

There are five standing committees: the Executive Committee, the Investment Committee, the Audit and Finance Committee, the Governance Committee and the Nominating Committee. Their roles and responsibilities, composition and numbers, and reporting requirements are defined in the by-laws.

Committee work is shared among Board members, and committee members are selected on the basis of their interests, expertise and availability. The chair of each standing committee informs the full Board at each of its meetings of the committee's activities, findings, conclusions and recommendations.

In 2006-07, the 50th Anniversary Advisory Committee continued to operate on an ad hoc basis. It was created in 2005-06 for a two-year term.

Executive Committee

In the interval between meetings of the Board, the Executive Committee acts on behalf of the Board, exercises all powers and performs all duties of the Board, except for the following:

- the enactment, amendment or repeal of by-laws; and
- approval of the policies of the Council, the Corporate Plan, the operating and capital budgets, the Annual Report, financial statements and grants.

The mandate and powers of the Executive Committee include:

- review and approval of the performance of the Director and, through the Director, other members of Executive Management;
- review of the financial and non-financial perquisites of the Director; and
- any other duties assigned to it by the Board.

Membership:
Karen Kain (Chair),
Simon Brault,
Laurent Lapierre.

Investment Committee

The committee:

- is responsible for recommending to the Board policies regarding investments;
- has the authority to hire professional fund managers to purchase, manage and dispose of investments;
- instructs the Council to execute and deliver on behalf of the Council transfers, proxies, voting certificates, documents to exercise rights and other agreements dealing with the Council's investments;

- once a year at a regular meeting, makes a report to the Board showing the portfolio of investments at cost and market value, the performance of the funds and any changes or recommendations made since the last report; and

- sees to the deposit and safekeeping of the securities of the Council.

Membership:
Karen Kain,
Esther S. Ondrack,
Laurent Lapierre (appointed December 2006)
and the following outside experts (non-Board members):
Tania Willumsen (Chair),
Henry W.C. Gibbs,
Susan Luke Hill,
John H. Matthews,
William J. Smith.

Audit and Finance Committee

The committee:

- reviews the financial statements of the Council;

- recommends the annual financial statements to the Board for approval;

- receives reports and reviews recommendations from the Auditor General of Canada and the internal auditors;

- reviews the Council's accounting procedures and internal controls;

- reviews any corrective measures implemented as a result of audits;

- reviews staff proposals concerning the annual budget and makes recommendations to the Board with respect to approval of this budget; and

- carries out any task of a financial nature that is requested by the Board.

Membership:
Karen Kain,
Simon Brault (Chair),
Manon Blanchette (appointed October 2006),
Craig Dowhaniuk (until September 19, 2006),
Esther S. Ondrack,
Jeannita Thériault (until August 21, 2006).

Governance Committee

The committee:

- recommends the substance and form of all governance information submitted to the Board for approval;

- establishes a process for assessing Board capacity and evaluating Board performance;

- provides new Board members with an orientation session;

- ensures that the Council's Governance Policy is kept current with best practices and continues to meet the needs of the Council;

- periodically reviews the corporate by-laws and proposes revisions to the Board;

- reviews the findings of external peer review auditors and reports to the Board; and

- undertakes any other tasks assigned to it by the Board.

Membership:
Karen Kain,
Simon Brault,
David Thauberger (Chair),
Susan Knight (appointed December 2006),
Laurent Lapierre.

Nominating Committee

The committee:

- is responsible for recommending to the Board a list of candidates for filling vacancies for the positions of Board member, Chair and Vice-Chair. Once approved by the Board a short list is sent by the committee chair to the responsible Minister for consideration; and

- seeks the Board's approval to hire a professional recruitment firm to assist the committee with its search for meritorious candidates.

Membership:
Karen Kain,
Simon Brault (Chair),
Manon Blanchette,
Tom Hill,
David Thauberger.

50th Anniversary Advisory Committee

The mandate of the 50th Anniversary Advisory Committee is to provide advice and act as a sounding board for the planning and development of the Council's 50th anniversary activities. The committee also monitors the implementation of the anniversary plan, taking into account Board priorities and decisions. The term of the ad hoc committee is December 2005 to December 2007.

Membership:
Amir Ali Alibhai,
Manon Blanchette (Chair),
Susan Knight (appointed December 2006),
Laurent Lapierre (until December 2006).

Other Committees

Certain Board members also serve on other bodies. David Thauberger serves on the Executive Committee of the Canadian Commission for UNESCO. Amir Ali Alibhai serves on the Public Lending Right Commission.

Attendance at Board Meetings and Board Committee Meetings

See page 65.

Remuneration for Board Directors

Board members are paid an annual retainer and honoraria based on a fee structure recommended by the Government and approved by Order in Council. For 2006-07, the total of fees paid to Board members was $127,641.

Executive Management Compensation

The Canada Council's Executive Management Committee includes the Director and senior executives within the organization.

The salary range for the position of Director is fixed by the Governor in Council. For 2006-07, it was $172,900 to $203,400. The Council has adopted salary ranges for the Council's Executive Management Committee that reflect those established by the Governor in Council for all EX-level positions in the federal public service. For 2006-07, the salary range for executive positions was $94,000 to $178,700.

In 2006-07, the Executive Management Committee consisted of: Robert Sirman, Director (effective June 26, 2006); Mark Watters, Secretary-Treasurer and Chief Financial Officer (until October 20, 2006); André Courchesne, Director, Arts Division; Carol Bream, Director, Public Affairs, Research and Communications; John Goldsmith, Director, Partnership, Networks and Arts Promotion; William Stevenson, Acting Chief Financial Officer (from October 23, 2006); and Michelle Chawla, Acting Corporate Secretary (from February 26, 2007).

Proactive Disclosure

The Canada Council posts the travel and hospitality expenses for the Chair, Vice-Chair and Executive Management (starting in 2007) on the Council's web site at *www.canadacouncilca/aboutus/organization*

Disclosure of Wrongdoing

In March 2007, the Canada Council introduced a Policy on the Internal Disclosure of Wrongdoing in the Workplace (whistleblower policy) as part of its corporate policy framework. Information sessions for the staff are planned to provide opportunities to discuss and ask questions about this new policy.

Board Member Biographies

See page 68-69.

Attendance at Board Meetings and Board Committee Meetings
(April 1, 2006 to March 31, 2007)

Board Committees	Board	Executive	Investment	Audit and Finance	Governance	Nominating	50th Anniversary
NO. OF MEETINGS	9	11	5	5	5	4	7
K. Kain, Chair	8	11	0	5	5	4	.
S. Brault, Vice-Chair	9	11	.	5	5	4	.
A. A. Alibhai	9	.	.	.	.	.	7
M. Blanchette	9	.	.	2 of 2	.	4	7
C. Dowhaniuk*	2 of 2	.	1 of 2	2 of 2	.	.	.
T. Hill	7	.	.	.	.	3	.
S. Knight**	4 of 6	.	.	.	1 of 1	.	.
L. Lapierre	9	11	1 of 1	.	5	.	7
E. S. Ondrack	9	.	4 of 5	5	.	.	.
D. Thauberger	9	.	.	.	5	4	.
J. Thériault***	3 of 3	.	.	2 of 2	.	.	.

* Craig Dowhaniuk resigned September 19, 2006.
** Susan Knight was appointed September 15, 2006.
*** Jeannita Thériault's term ended August 21, 2006.

At March 31, 2007, there were two Board vacancies.

Board and Director of the Canada Council for the Arts
(as of March 31, 2007)

Board

Karen Kain
Ontario – Chair

Simon Brault
Quebec – Vice-Chair

David Thauberger
Saskatchewan

Laurent Lapierre
Quebec

Tom Hill
Ontario

Amir Alibhai
British Columbia

Manon Blanchette
Quebec

Esther S. Ondrack
Alberta

Susan Mary (Dyer) Knight
Newfoundland and Labrador

Director

Robert Sirman

Senior Staff
(as of March 31, 2007)

Executive Management Committee

Robert Sirman,
Director

Carol Bream, Director,
Public Affairs, Research and
Communications

Michelle Chawla,
Acting Corporate Secretary

André Courchesne, Director,
Arts Division

John Goldsmith, Director,
Partnership, Networks and Arts
Promotion

William Stevenson,
Acting Chief Financial Officer and
Head, Finance and Administrative
Services

Administration Division

Manon Dugal, Head,
Human Resources

Daniel Plouffe, Head,
Information Management Systems

David A. Walden, Secretary-General,
Canadian Commission for UNESCO

Arts Division

André Courchesne, Director,

Sandra Bender, Coordinator,
Audience and Market Development
Office

Roger Gaudet, Head,
Theatre

Marianne Heggtveit, Acting Head,
Arts Services Unit

Sheila James, Acting Coordinator,
Equity Office

Russell Kelley, Head,
Music

François Lachapelle, Head,
Visual Arts

David Poole, Head,
Media Arts

Louise Profeit-LeBlanc, Coordinator,
Aboriginal Arts Secretariat

Melanie Rutledge, Head,
Writing and Publishing

Claude Schryer, Coordinator,
Inter-Arts Office

Anne Valois, Head,
Dance

Public Affairs, Research and Communications Division

Carol Bream, Director

Donna Balkan, Senior Communications
Manager, Media and Public Relations
Unit

Kim Lymburner, Manager,
Business Management Unit

Claire McCaughey, Manager,
Research Unit

Terry O'Grady, Manager,
Design, Writing and Publications Unit

Victoria Henry, Director,
Art Bank

Michelle Legault, Acting
Executive Secretary,
Public Lending Right Commission

Janet Riedel Pigott, Acting Director,
Endowments and Prizes

Partnership, Networks and Arts Promotion Division

John Goldsmith, Director

Grace Thrasher, Coordinator,
Arts Promotion

Kelly Wilhelm, Coordinator,
Partnerships and Networks

For an up-to-date list of senior staff, see the Canada Council web site.

Karen Kain, Chair
Ontario

Karen Kain is an internationally-renowned ballerina. Born in Hamilton, she studied at the National Ballet School, joining the National Ballet of Canada in 1969. She was promoted to Principal Dancer in 1971. Her silver medal at the International Ballet Competition in Moscow in 1973 helped launch an extraordinary career which saw her dance many of ballet's greatest roles with some of the world's finest ballet companies. She was Artistic Associate with the National Ballet (2001-05), becoming Artistic Director in 2005. A Companion of the Order of Canada, she received the international Cartier Lifetime Achievement Award and the Governor General's Performing Arts Award; she is a also an Officer of France's Order of Arts and Letters. She holds honorary degrees from Toronto, York, McMaster and Trent universities. She was appointed Chair of the Council on September 14, 2004.

Simon Brault, Vice-Chair
Quebec

Simon Brault has been Director General of the National Theatre School of Canada since 1997. Closely associated with the Forum d'action des milieux culturels de la Métropole, he initiated Les journées de la culture, a province-wide undertaking first held in 1997 to promote access to arts and culture. At the Montreal Summit of 2002, he led a delegation from the cultural community that promoted the role played by the arts and culture in city development. He is a founding member of Culture Montréal and has been its Chair since it began in 2002. An Officer of the Order of Canada, he was named Vice-Chair of the Council on March 31, 2004.

David Thauberger
Saskatchewan

David Thauberger is a visual artist. He studied at the University of Saskatchewan, California State University and the University of Montana. He organized Grassroots Saskatchewan, the first major exhibition of Saskatchewan folk art, for the Mackenzie Art Gallery. He has also worked as a visual arts consultant at the Saskatchewan Arts Board and served on the board of the Mackenzie Art Gallery. His work has been exhibited widely, and he is represented in many Canadian collections (Glenbow Museum, Mendel Art Gallery, Winnipeg Art Gallery, Art Gallery of Ontario, Art Gallery of Nova Scotia and National Gallery of Canada). He became a member of the board on February 26, 2002; his term was renewed February 26, 2005.

Laurent Lapierre
Quebec

Laurent Lapierre (BA, BEd, BHist, MBA, PhD) is a tenured professor; he holds the Pierre Péladeau Chair in Leadership at the École des Hautes Études Commerciales de Montréal. He was the first General Manager of the Société artistique de l'Université Laval and the first Administrative Director of Théâtre du Trident. He is the author of several books, including the three-volume *Imaginaire et Leadership*. He has received several awards, including the Teaching Award (HEC), the 3M Recognition in Education Award (Society for Teaching and Learning in Higher Education) and the Prix d'excellence in management studies for Quebec (National Post / PricewaterhouseCoopers). He hosts the program *Leaders* on the Argent web network. He was named to the board on November 5, 2004.

Tom Hill
Ontario

Tom Hill is a curator, writer, art historian, volunteer and artist. He was museum director at the Woodland Cultural Centre near Brantford, Ontario for many years. A Konadaha Seneca, Hill studied at the Ontario College of Art and has a certificate in museum studies from the Ontario Museums Association. From his work at the Indians of Canada Pavilion at Expo '67, he went on to become the first Aboriginal art curator in Canada. He has lectured and written widely. He received a Governor General's Award in Visual and Media Arts in 2004 and an honorary doctorate from Wilfrid Laurier University. He was appointed to the board on November 25, 2004.

Amir Ali Alibhai
British Columbia

Amir Ali Alibhai is a visual artist, independent curator and writer, who has been arts programmer at the Roundhouse Community Centre in Vancouver since 1997. Before that, he worked for several years as an educator and guest curator at the Richmond Art Gallery and was Assistant Curator at the Surrey Art Gallery from 1995 to 1997. Amir Ali Alibhai earned a bachelor's degree in fine arts from the University of British Columbia in 1989 and a master's degree in curriculum studies (on cross-cultural collaboration) in 2000. He was appointed to the board on May 12, 2005.

Manon Blanchette
Quebec

Manon Blanchette began her career at the Musée d'art contemporain de Montréal: she worked there as education officer, curator, senior curator, director of marketing and communications and director of client services. She has been senior curator at the Walter Phillips Gallery in Banff, cultural counsellor at the Canadian embassy in Paris and director of the Canadian Cultural Centre in Paris. She is currently writing a book on video artist Bill Viola. She pursued post-graduate studies in Paris, earned a doctorate in art practices and studies at the Université du Québec à Montréal, and has taught art history and art criticism at the Université de Montréal and the Université du Québec à Chicoutimi. A frequent lecturer on art and arts management and a member of numerous boards, she was appointed to the board on May 12, 2005.

Esther S. Ondrack
Alberta

Esther S. Ondrack is an active supporter of the arts in Edmonton. She is a member of the board of the Edmonton Symphony Society and has served on the boards of the Alberta Performing Arts Stabilization Fund, the Edmonton Arts Council and Pro Coro Canada, a professional chamber choir. She retired as Senior Vice-President, Corporate Secretary and board member of Chieftain International Inc. in 2001 after a 35-year career in the petroleum industry. She is a former board member of TELUS Corporation, the United Way of the Alberta Capital Region and several community organizations. She was appointed to the board on May 12, 2005.

Susan Mary (Dyer) Knight
Newfoundland and Labrador

Susan Knight is a choral conductor, music educator, consultant, keynote speaker, clinician, adjudicator, editor and guest conductor. She is the artistic director of Shallaway (formerly the Newfoundland Symphony Youth Choir), which she founded in 1992. She also founded Festival 500 in 1994, a biennial international choral festival in St. John's, which she initiated as a means of cultural affirmation and economic renewal for Newfoundland and Labrador. She was invested as a Member of the Order of Canada in 2004, and the Order of Newfoundland and Labrador in 2005, and holds an honorary doctorate from Memorial University. She was appointed to the board on September 15, 2006.

NOTES:
Robert Sirman became Director on June 26, 2006.
Craig Dowhaniuk resigned from the board on September 19, 2006.
Jeannita Thériault's term as a board member ended on August 21, 2006.

Director
Robert Sirman

Robert Sirman was appointed Director of the Canada Council for the Arts effective June 26, 2006. After graduating from the University of Toronto with an MA in sociology, Mr. Sirman joined the Ontario Government as a speechwriter and policy advisor, helping to establish Ontario's first ministry of culture in 1975 and designing a wide range of lottery-funded grants programs. In 1980, he moved to the Ontario Arts Council, where he served for 10 years as Director of Operations and Director of Research and Policy Planning. In 1991, Mr. Sirman was appointed Administrative Director of Canada's National Ballet School. During his 15 years in that position, he stabilized the School's finances and oversaw a $100-million capital expansion program to triple the School's physical plant and re-animate Toronto's North Jarvis community.

Photo: Shin Sugino

The Canada Council: Then and Now....

In 1951, the Royal Commission on National Development in the Arts, Letters and Sciences (sometimes called the Massey-Lévesque Commission) reported that Canada had 20 "Grade A" art galleries, nine other regular exhibition centres and nine more "painting and sketch groups which hold exhibitions as or when they can." In music, there were "only four orchestras equipped to present ... symphonic music." A mere 82 works of English-language fiction, non-fiction, poetry and drama were published in Canada in 1947, and Canada's professional dance community consisted of just 15 ballet companies in 1950. In 1957, the Canada Council's founding year, it funded four professional theatre companies.

Fifty years later, the Canada Council supports 75 public art galleries and 71 artist-run centres. There are 15,250 professional painters, sculptors or other visual artists in Canada. A total of 375 professional theatre companies were funded last year, 59 geared to young audiences. The Council supported 45 orchestras, 60 new music organizations and 25 companies producing professional opera or musical theatre. It also funded 165 dance organizations and 147 film and video artists. Last year, 16,776 Canadian books were published in Canada, including 2,708 literary titles.

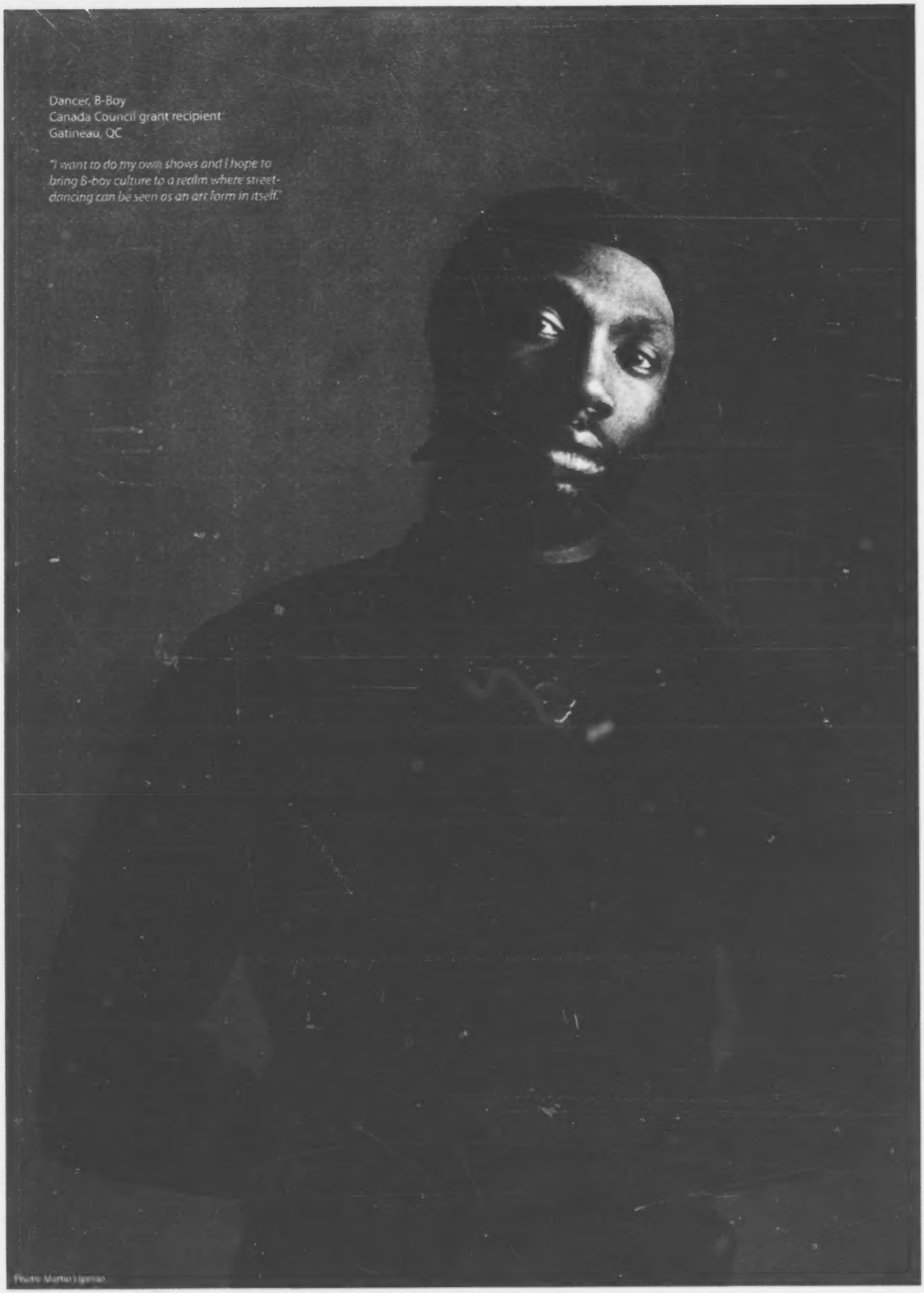
Most of Canada's best-known artists and arts organizations have received Council funding. Among the first organizations to receive support in 1957 were the National Ballet of Canada, Les Grands Ballets Canadiens de Montréal, the Stratford Festival, the Théâtre du Nouveau Monde, and the Toronto, Montreal, Edmonton, Calgary and Vancouver symphony orchestras – all of which the Council continues to support today. Canada Council support has played a role in the careers of countless individual artists: writers Margaret Atwood, Michel Tremblay, Nicole Brossard and Michael Ondaatje; musicians Angela Hewitt, Ben Heppner and Louis Lortie; dancers Evelyn Hart and Marie Chouinard; multimedia artists Janet Cardiff and David Rokeby; and filmmakers Atom Egoyan, Denis Villeneuve and Zacharias Kunuk.

The achievements of Canada's artists are a testament to the vision of Vincent Massey and Georges-Henri Lévesque, to the men and women who founded and have led the Council over the years, and to all Canadians, who have supported public funding for the arts for over half a century.

The Canada Council's 50th anniversary web site provides an opportunity for the public to join in the celebration by learning more about the Council's history and some of the outstanding artists who have received Canada Council support. The site also includes a calendar of arts events across the country, as well as a link to the "50 for 50" Arts Challenge, which encourages Canadians to participate in 50 arts experiences during the anniversary year.

www.50.canadacouncil.ca

www.artschallenge.ca



Dancer, B-Boy
Canada Council grant recipient
Gatineau, QC

"I want to do my own shows and I hope to bring B-boy culture to a realm where street-dancing can be seen as an art form in itself."

Photo: Martin Lipman